FINANCIAL TIMES

Turkey
Uneasy coalition
Edward Mortimer, Page 11

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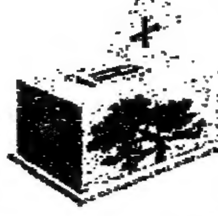

Common agenda
In search of the green vote
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German polls
Delivering a mid-term verdict
Page 2

World Business Newspaper

WEDNESDAY MARCH 13 1996

Loyalists warn IRA of retaliation over bombing campaign

The British and Irish governments are facing the prospect of a serious escalation in paramilitary violence over Northern Ireland. Ulster Loyalist paramilitary leaders warned the IRA they would retaliate to each bombing "blow for blow", as the IRA admitted responsibility for a bomb planted in west London at the weekend – the third explosion in the capital in as many weeks. Page 7

Wall Street wavers again as London slips back

Shares on Wall Street and London fell again as financial markets continued their recent volatility. In late trading in New York, the Dow Jones Industrial Average was just 17 points lower, having recovered from a 90-point drop. In Europe, initial rallies fell away as investors continued to react to the possibility that the falls in US interest rates might be over. London's FT-SE 100 index fell 35 points to 3,639.5, its lowest close this year, while the benchmark 10-year gilt fell by about half a point. London stocks, Page 28; World stocks, Page 32

Leaders gather for Mideast peace summit

The US and Israel urged greater international intelligence-sharing to counter terrorism, as world leaders began arriving for a summit in Egypt in response to suicide bombings in Israel. Arab leaders fought to widen the "anti-terror" focus of the 29-nation meeting. In Israel (left), security was increased in advance of the start of the summit, and the subsequent visit of US president Bill Clinton. Page 12; Israel attacks charity, Page 4

German exports fall: German exports fell year-on-year in December, finally reacting to last spring's sharp increase in the value of the D-Mark. But the December trade surplus rose, reflecting an even sharper fall in imports. Page 12; CDU juggernaut, Page 2; Editorial Comment, Page 11

Euro Disney to build new town: Euro Disney, operator of the Paris-based theme park, is to develop a new town including a 90,000 sq metre shopping development, houses and leisure facilities on the outskirts of its existing site. Page 12

Deutsche Telekom, said its 1995 sales had risen only 4 per cent to DM66bn ($44.5bn) – DM2bn lower than forecasts made nine months ago – but declined to explain the shortfall, insisting the figures were preliminary. Page 13; Lex, Page 12

Lego to build 15 theme parks: Danish toy company Lego announced plans to spend about $2bn building 15 new parks worldwide in the next century. Page 13

UK joins European arms project: Britain is to join Germany and France in producing a new armoured car, a move German officials said would pave the way for UK entry into a joint arms procurement agency. Page 2

Clinton heads Dole in standings: As seven Republican party primaries were being held, a Washington Post/ABC survey put US president Bill Clinton ahead of Republican nomination favourite Bob Dole by 17 percentage points. Page 5

EU split on telecoms talks: World Trade Organisation talks on liberalising telecoms were thrown into uncertainty by a split between European Union governments. Page 4

UK criticised on fishing fleet size: Emma Bonino, the European fisheries commissioner, defended the Common Fisheries Policy and said the UK was lagging behind other EU member states in cutting the size of its fishing fleet. Page 7

Magellan cuts equity holdings further: The Magellan mutual fund, Fidelity Investments' leading fund, continued to cut its equity holdings in January. There has also been a shake-up of portfolio managers at Fidelity, involving managers of 26 equity funds. Page 13

Hanson, the industrial conglomerate, sold its remaining US forestry interests for $1.59bn to Willamette Industries, the Oregon-based forest products group. Page 18

Japan Synthetic Rubber, the country's largest producer of plastic resin, is to merge its resin division with Mitsubishi Chemical, Japan's leading chemicals group and third-largest resin producer, to seek economies of scale. Page 16

STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	5,488.87	(-82.13)
NASDAQ Composite	1,087.16	(-13.34)
Europe and Far East		
CAC40	1,932.07	(-16.12)
DAX	2,435.97	(+28.18)
FT-SE 100	3,639.5	(-35.0)
Nikkei	19,950.27	(+153.98)

US LUNCHTIME RATES

Federal Funds	5¼%
3-mth Treas Bills: Yld	5.072%
Long Bond	99⅝
Yield	6.708%

OTHER RATES

UK: 3-mo Interbank	6⅛%	(same)
UK: 10 yr Gilt	95⅛	(95⅝)
France: 10 yr OAT	103.51	(104.3)
Germany: 10 yr Bond	95.75	(96.28)
Japan: 10 yr JGB	98.363	(98.542)

NORTH SEA OIL (Argus)

Brent 15-day (Apr)	$18.76	(18.32)

GOLD

New York: Comex		
(Apr)	$397.5	(396.7)
London:		
close	$396.4	(396.2)

DOLLAR

New York lunchtime		
£	1.5225	
DM	1.47385	
FFr	5.0465	
SFr	1.1935	
Y	105.295	
London:		
£	1.5195	(1.5242)
DM	1.4805	(1.4823)
FFr	5.0678	(5.0788)
SFr	1.1992	(1.2014)
Y	105.645	(105.345)

STERLING

DM	2.2501	(2.2592)
Tokyo close:	Y 105.59	

Albania	LEK 220	Germany	DM4.00	Lithuania	Lts 15.00	Qatar	QR13.00
Austria	Sch37	Greece	Dr400	Lux	LFr75	S.Arabia	SR12
Bahrain	Din1.250	Hong Kong	HK$20	Malta	Lm0.65	Singapore	S$4.30
Belgium	BFr75	Hungary	Ft230	Morocco	MDh16	Slovak Rp	Sk65
Bulgaria	Lw130.00	Iceland	IKr230	Neth	Fl 4.75	S. Africa	R12.00
Cyprus	C£1.20	India	Rs75	Nigeria	Naira90	Spain	Pta250
Czech Rp	Kc60	Israel	Shk7.90	Norway	NKr20.00	Sweden	SKr20
Denmark	DKr18	Italy	L3200	Oman	OR1.50	Switz	SFr3.70
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Syria	S£85.00
Estonia	EKr 22	Jordan	JD1.50	Poland	Zl 5.50	Tunisia	Din1.750
Finland	FM15.50	Kuwait	Fils650	Portugal (m'land)	Esc240	Turkey	L70,000
France	FFr11.50	Lebanon	U$3.000			UAE	Dh12.00

Beijing move prompts Taiwanese companies to reconsider investments

China live-fire tests raise tension

By Laura Tyson in Taipei and Tony Walker in Beijing

Tension between Beijing and Taipei reached the highest point in decades yesterday as China began live ammunition military exercises in the Taiwan strait, prompting leading Taiwanese industrialists to reconsider mainland investments.

The US assembled the largest naval force in the region since the Vietnam war to monitor events. Ships using some of the world's busiest shipping lanes were forced to go around the designated exercise site, and hundreds of flights due to pass near the area were diverted.

Taiwanese government officials said the escalation of cross-strait tension, which began last July, had hit the island's economy. The value of capital investment projects fell 70 per cent in January from a year earlier, the Industrial Development Bureau said.

The central bank said bank loans to private businesses, although down by a relatively modest 0.35 per cent in January from a year before, showed their first fall in a decade.

The military manoeuvres, coupled with missile tests near the island's two biggest ports which began last Friday, are intended to undermine support for Mr Lee Teng-hui, Taiwan's president, in the country's first direct presidential elections on March 23. Beijing also wants to push Mr Lee, the favourite in the polls, into dropping a campaign for greater recognition for Taiwan, which Beijing sees as a bid for formal Taiwanese independence.

China's president Jiang Zemin (second left), meets senior People's Liberation Army generals during the National People's Congress Picture: Reuter

China, which regards Taiwan as a renegade province, warned the US for the second consecutive day to stop interfering in the Taiwan issue. Itsaid Washington's decision to deploy warships in the area encouraged "separatist" tendencies.

"The United States should be careful not to send the wrong message to Taiwan authorities that it supports their activities," Mr Shen Guofang, the foreign ministry spokesman, said.

China reserves the right to use force against Taiwan to counter independence moves or foreign interference, he stressed. Beijing refuses to renounce military means to achieve reunification.

The Democratic Progressive party, Taiwan's main opposition party, led a trip near one of the missile test sites in protest at China's actions. "Taiwan is an independent, sovereign country. We will never succumb to coercion from communist China," Mr Shih Ming-teh, DPP chairman, said.

In the Taiwanese corporate sector President Enterprises, a foods conglomerate and the island's biggest investor in China, said it would delay or cancel new projects on the mainland if Beijing persisted in military exercises. President has invested US$120m in 14 mainland companies.

Wei Chuan Foods, another foods group which has invested US$16m in seven mainland projects, said it had adopted a conservative attitude toward its investments until tensions eased. Several investment projects have been postponed.

The Hong Kong Shipowners Association said at least 100 vessels travelling from Hong Kong to points along the China coast must change their routes during the live-ammunition exercises - adding five hours to the journey.

The missile tests are due to end on Friday and the live ammunition exercises on March 20.

Row strains US 'ambiguity' doctrine, Page 6

UK government calls for curbs on EU powers

Prime minister attacks ruling on 48-hour week

By Robert Peston, Political Editor, in London

The UK government yesterday launched a tirade against the European Court of Justice and outlined an anti-federalist vision of the European Union based on the "powers and responsibilities of the nation states".

Mr John Major, the prime minister, described as "ludicrous" and "complete nonsense" a provisional ruling by the European Court of Justice which could lead to a 48-hour working week being imposed on British companies.

He was speaking in the House of Commons before publication of a white paper on the UK's approach to this month's intergovernment conference on reforming the EU's institutions, which drew mild criticism from the Tory party's Eurosceptic and pro-European wings.

The Eurosceptics said they welcomed the government's intention to limit the EU's powers, although they doubted whether it would succeed.

In his most explicit attack on the EU, Mr Jonathan Aitken, Treasury chief secretary until last July, warned that if the government failed then "for the first time for many years, this house would have to start to seriously consider the option of withdrawal" from the EU.

However, the anti-European Tories reserved most of their criticism for a ruling by the European court's advocate-general, Mr Philippe Leger, that the 48-hour ceiling on working hours applies to the UK because it is a health and safety issue.

Mr Malcolm Rifkind, foreign secretary, attempted to allay their concerns, saying this was an example of the court interpreting EU legislation for "purposes that were never intended".

The white paper says that the UK will argue at the IGC for "limiting the scope for community action in certain areas".

It argues for procedures for the "rapid amendment of EC legislation" if the court interprets it in a way other than in which it was originally framed. There is also a call for an appeals mechanism.

Most of the white paper is a restatement of existing government policy. It contains reinforced commitments to oppose any extension of majority voting in EU decision-making or any increase in the powers of the European parliament.

Underlying all the recommendations is a commitment to ensure that that "national parliaments remain the central focus of democratic legitimacy".

The government wants an enhanced role for national parliaments in EU decision-making and will "bring forward proposals to entrench subsidiarity [the principle that the EU should only operate where it can do so more efficiently than individual nations] into the treaty".

Mr Rifkind reiterated that in the areas of foreign and security policy, together with justice and home affairs, the UK would insist that EU initiatives must continue to be based on unanimous agreement by member states.

The Labour opposition is likely to oppose the paper. However, it welcomed most of it, reserving criticism for government opposition to an employment target in the EU's treaty, its rejection of the social chapter and its failure to address monetary union.

Paper 'defends British interests', Page 7
Editorial Comment, Page 11

Mexico plans to sell assets of failed banks in wake of crisis

By Leslie Crawford in Mexico City

The Mexican government plans to sell the assets of seven collapsed banks in an attempt to recoup part of the cost of bailing out the financial system during last year's financial crisis.

The government is understood to be in the process of setting up a trust to assess the real value of the failed banks' loan portfolios and other assets and find potential buyers for them. The move has important implications for Mexico's ailing financial sector and for corporations which are struggling through a severe recession with heavy debts.

The escalation of problem loans in the banking system has severely curtailed the ability of banks to extend new credit. Problem loans officially reached about $18bn, or 18.3 per cent of total loans last December, but independent analysts estimate them to be at least double this amount.

In addition the debt burden of Mexican corporations is widely held to be the biggest obstacle in the path of a sustained economic recovery. "Many Mexican enterprises are insolvent at their current debt levels, but could become solvent if creditors decide to reduce the debts' value," says Mr Alfredo Thorne at US investment bank J.P. Morgan in Mexico City. "What is missing are market mechanisms for extinguishing debt."

Senior finance officials said they hoped the government trust would act as a catalyst for the creation of a secondary market for discounted debts. "We aim to act as an initial marketmaker by establishing prices and attracting buyers for non-performing loans," a Mexican finance official explained. "Other banks may then be persuaded to use the secondary market to sell their non-performing loans."

He said several foreign asset managers had expressed an interest in acquiring Mexican corporate debt, but had been deterred from doing so because of the absence of an effective market for such assets.

Mr Oscar Medina Mora, a senior executive at Banamex, Mexico's largest commercial bank, has been seconded to head the trust, which is to be partly modelled on the US Resolution Trust Corporation, set up to liquidate the assets of failed savings and loan organisations.

The government's move was welcomed by financial analysts as a positive step towards solving the country's corporate debt impasse. Debt write-offs have been resisted by Mexican banks because of the cost to their shaky balance sheets. Corporate debtors, for their part, have been reluctant to sell assets or accept a dilution of ownership to raise capital to repay their debts.

Finance officials said they believed the new scheme could be implemented at no extra cost to the government, which has already set aside 32bn pesos ($4.2bn) towards the cost of last year's bank interventions.

On paper, the assets of the seven failed banks – Cremi, Union, Banpais, Interestatal, Oriente, Obrero and Inverlat – were worth 137bn pesos at the time of intervention. In practice, they are likely to be worth only a fraction of that.

London's auction houses face clash with Brussels

By Emma Tucker in Brussels

London's most famous auction houses are heading for a showdown with the European Commission which will today announce proposals to introduce a Europe-wide levy on the sale of contemporary works of art.

All European painters, sculptors and photographers, or their heirs, will be entitled to a small cut, ranging from 2 to 4 per cent, for works which are resold up to 70 years after their death.

But Christie's, the auctioneers, said the proposal would drive art sales out of the European Union.

"If you want the market in contemporary art to move from Paris and London to New York ... then this is the right way to go about it," said Mr Anthony Browne, a director at the auction house.

Most EU member states have copyright laws that entitle artists or their heirs to a percentage of the price when a work is resold by public auction or through an agent. But in Britain, Ireland, Austria and the Netherlands, artists receive nothing.

For example, David Hockney, the British artist, is rewarded when one of his paintings is sold in Paris, whereas the estate of Pablo Picasso, the late Spanish artist, receives nothing when one of his paintings is sold in London. The Commission believes this disparity distorts the single market.

However, the British government said it saw no reason for introducing this proposal, which will be referred to EU ministers for a decision. "It would be a substantial extra burden on business," the government said.

Artists' organisations in the UK were delighted. "This is an important right for artists," said Ms Janet Ibbotson, deputy chief executive of the Design and Artists Copyright Society. She said many artists were "broke and would benefit enormously".

Pressure for harmonisation has come from Germany and, in particular, from France, where public sales represent an important part of the art market. However, the government believes the

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NEWS: EUROPE

UK to join European arms project

By Michael Lindemann in Bonn

German officials yesterday welcomed Britain's decision to join Germany and France in producing a new armoured car, and said this would pave the way for UK entry into a joint arms procurement agency.

British participation in the armoured personnel carrier project was clinched this week, subject to agreement on what British officials described as "detailed amendments" to the bidding documents for the multi-role armoured vehicle or MRAV.

"A significant step has been taken," said a German defence ministry official, hailing the prospect of closer co-operation with Britain over the MRAV and other projects.

Agreement among the three countries comes after months of negotiations, and significantly improves the prospects for the success of the joint procurement agency. The agency was conceived by the Germans and the French as part of an effort to compete more effectively with the much bigger US defence industry.

Italy and other European countries are watching developments closely with a view to joining in the future, and both the original partners have privately expressed the hope it will develop into a fully-fledged European procurement agency.

France, Germany and the UK said they needed to clarify details about the way the competition for the armoured personnel carrier would be conducted. Once that work is completed – expected by the end of this month – Britain will become fully involved in the preparations for the agency agreed at the last Franco-German summit in December.

The agency will be based in Bonn and is expected to employ about 15 people by the end of this year. They will pull together the financial and personnel activities at several Franco-German arms projects such as the Tiger attack helicopter in an effort to make them more efficient.

It remained unclear yesterday, however, to what extent Britain would be obliged to buy European weapons systems after it joins the agency. The French were furious last year when Britain decided to spend £2.5bn on US Apache tank-buster helicopters instead of opting for the Tiger.

In his most recent comments on the issue, however, Mr John Major, Britain's prime minister, said he regarded the agency as a good idea but wanted to preserve the option of buying US equipment when it offered better value.

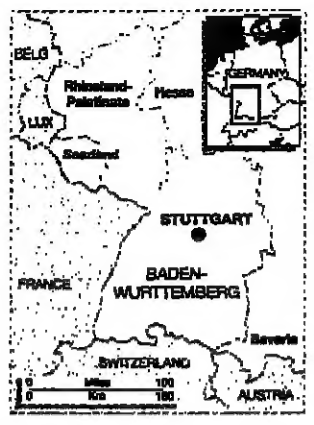
Arms manufacturers from the three countries, including Krauss-Maffei and Thyssen Henschel of Germany, Giat of France, and the UK defence suppliers Alvis, GKN and Vickers will work together "on an equal basis" to submit plans for the planned MRAV. France and Germany have already drawn up bidding documents, but a source close to the talks said Britain had managed to include a provision which allowed the competing companies, notably the UK ones, a greater say in how the vehicle was to be designed.

"We want the best value-for-money solution," the official said. "The new agreement ensures the competition is as open as possible and that industry can be innovative."

The MRAV is expected to move to a development stage some time in 1998, and several thousand will be produced starting some time after the year 2000, officials said.

'Traffic light' parties try to halt the CDU's election juggernaut

Baden-Württemberg election is a cliffhanger, writes **Peter Norman**



The people of Baden-Württemberg are renowned as solid citizens who avoid public demonstrations of excitement.

But they have turned the forthcoming March 24 election for their new state parliament into a political cliffhanger that could have repercussions beyond the borders of this populous and traditionally prosperous region of south-west Germany.

The poll takes place on the same day as elections in neighbouring Rhineland-Palatinate and Schleswig-Holstein in north Germany. Together, the elections will deliver a mid-term verdict on the government of Chancellor Helmut Kohl at a time of economic weakness and record unemployment.

The vote in Baden-Württemberg – Germany's third most populous state with more than 10m inhabitants – is the most likely of the three to result in a change of government because neither the Christian Democrats (CDU) nor the Social Democrats (SPD) want their present "grand coalition" in Stuttgart to continue.

The poll could seal the fate of the small liberal Free Democrat party (FDP) – the junior member of Chancellor Kohl's coalition – in its traditional heartland where the party was formed after the second world war. It needs 5 per cent of the vote to continue to be represented in the state parliament.

The elections will also be a barometer of support for the far-right Republican party which shocked Germany's political elite in 1992 by snatching 10.9 per cent of the votes in Baden-Württemberg.

Mr Erwin Teufel, the state's earnest CDU prime minister, is fighting off an unusually robust challenge from Mr Dieter Spöri, the SPD leader and economics minister in the outgoing coalition.

Mr Spöri has put Mr Teufel on the defensive by daring to rattle the establishment consensus on European economic and monetary union and immigration. He says Emu could be a job killer and should be delayed by three or four years. He also wants a drastic reduction in the inflow of ethnic German immigrants from the former Soviet Union.

That prime minister and economics minister are slugging it out is a reminder that the outgoing CDU-SPD coalition was a forced marriage resulting from the shock success of the Republicans in 1992. Mr Teufel wants to govern alone and Mr Spöri is campaigning for a coalition of SPD and Greens.

The FDP, which has been in opposition in the state for more than 30 years, is prepared to join a coalition with the CDU. Recent opinion polls give Mr Teufel's CDU around 43 per cent of the vote. Support for the SPD has fluctuated between 27 per cent and 33 per cent. The Greens have about 14-16 per cent and the FDP around 5-6 per cent.

The polls suggest that the Republicans would get about 4 per cent of the votes and so fail to make the 5 per cent threshold for seats in parliament.

If the FDP fails to win seats, Mr Teufel's chances of heading a new government will be slim. If the Republicans re-enter, all bets are off. The present coalition partners might then have to re-form a government.

Another option might be a red, yellow and green "traffic light" coalition of SPD, FDP and Greens, although Mr Walter Döring, the FDP leader who has moved his party to the right of the CDU with a campaign for lower taxes, privatisation and reduced bureaucracy, has said he would not support such a move.

Mr Teufel has been running a conventional campaign, *claiming the CDU will be best* for the economy. At 7.4 per cent, Baden-Württemberg's unemployment rate is the lowest of the Germany Länder and well below the 11.1 per cent national average.

But Mr Spöri can claim just as much credit for this as Mr Teufel. Moreover, the spectre of a Red-Green coalition carries less weight than in other parts of Germany because the Greens are long established and moderate.

Brussels launches fraud inquiry

By William Lewis and Clay Harris

The European Commission has launched an investigation into international fraud and the threat it poses to European Union member states.

The year-long investigation will examine the scale of the problem in Europe and recommend measures to help bring the "billion dollar" problem under control.

The Commission has appointed a team of fraud experts from the accountancy firm Deloitte Touche Tohmatsu International to carry out the investigation.

"International fraud is almost impossible to quantify, but it is certainly costing European Union countries billions of dollars," said Mr Will Inglis, a partner in the firm's UK practice and head of the investigation.

"Fraudsters have become more sophisticated in their techniques and more daring in their targets," he said. "At the end of this investigation we will ensure the European Union is far better equipped to recognise where fraud is prevalent and to bring international criminals to book."

The investigation, which is already under way, will focus on the damage international fraud causes to European businesses. Experts say it costs companies billions of pounds each year, but detailed figures have not been available.

The investigation follows rising concern about fraud and its affect on European businesses in recent years. In particular, fraud experts have warned companies of Mafia groups based in Russia and Eastern Europe.

Mr Inglis says that his team will also look at Nigerian fraud, money laundering and possibly at fraud within the European Commission itself.

Deloitte & Touche say that the investigation will be the most comprehensive examination of "the fraud problem to date". Mr Inglis stresses that the brief is "wide ranging" and that definition of fraud differs greatly within the EU.

"We are going to define what fraud is," Mr Inglis says. "It is amazing how there are different views in different countries on what is improper and represents a fraud."

Investigators are to send out questionnaires to companies and fraud agencies in every EU country. Mr Inglis says that his team of investigators will, "apart from collecting information from more traditional sources, also be prepared to consider less orthodox methods".

Deloitte & Touche are asking for companies and individuals with knowledge of international fraud rackets to make contact with the investigation team.

Mr Inglis believes that the increase in international fraud over the past five years has made it impossible for companies hit by fraud to keep it secret. "Burying it is now impossible," Mr Inglis says.

Ethnic German issue strikes poll chord

By Peter Norman

It has been a policy move that has shocked many and surprised more.

But Mr Dieter Spöri, the Social Democrat (SPD) candidate for prime minister of Baden-Württemberg, is unrepentant over the way that he, Mr Oskar Lafontaine, the SPD chairman, and Mr Rudolf Scharping, the leader of the SPD in the Bundestag, have urged a clampdown on immigration of ethnic Germans from eastern Europe and the former Soviet Union.

The ethnic German issue is the second notably populist campaign which Mr Spöri has launched ahead of the March 24 elections for the state parliament in Stuttgart.

Critics say his concerns about the 220,000 people of German origin allowed into Germany each year at a time of high unemployment are unworthy of a party that has always boasted of its internationalism.

Mr Erwin Teufel, the state prime minister and Christian Democrat (CDU) candidate, recognises that Mr Spöri's campaign will appeal to some voters.

At public meetings, Mr Teufel recalls his childhood after the second world war. Then, there was prejudice against the millions of German refugees driven out of eastern Europe and yet they turned out to be valuable citizens who helped Germany become a great economic power.

He is given a polite hearing. But his arguments do not stir the enthusiasm of the voters, even at CDU rallies. Many people apparently share the view of Mr Scharping, who added fuel to the debate in its early stages by saying ethnic Germans went "straight on to the dole or to drawing a pension".

Mr Fritz Kuhn, head of Baden-Württemberg's Green party, is critical of his potential coalition partner. He regards Mr Spöri's campaign as a cynical election ploy. Mr Walter Döring, leader of the Free Democrats in the state, accuses Mr Spöri of an "evil search for votes" and fears that his campaign will give the Republicans a push into the state parliament.

Ironically, the Republicans have difficulty exploiting the issue. As nationalists, they cannot attack ethnic German immigration in the same way that they mounted a campaign against asylum-seekers in 1992.

But the letters columns of German newspapers suggest there is widespread concern about the continuing ethnic German immigration. Recent arrivals, especially among the young, have been accused of delinquency and reluctance to assimilate.

Mr Spöri justifies his stance by attacking the nationalist approach to immigration. It is wrong, he says, that a Croat who has lived in Stuttgart for 10 years and speaks the local Swabian dialect has fewer rights than someone coming from the former Soviet Union who might have had a German great, great, great grandmother but is incapable of speaking German.

Before Mr Spöri launched his campaign, opinion polls gave the SPD about 27 per cent support. Last week he claimed the party had gained 6 points.

Turkish minority government wins confidence vote

By John Barham in Ankara

Turkey's new minority conservative government easily won a vote of confidence in parliament yesterday, but only after 80 MPs, mainly from the centre-left Democratic Left party (DSP), abstained from voting.

The new government of Mr Mesut Yilmaz won 257 votes in favour and there were 207 against in the 550-member parliament. Six MPs were absent. Mr Yilmaz only won votes from his Motherland party and his coalition partner, the True Path party of Mrs Tansu Çiller.

He was opposed by the Islamist Refah party, the largest in parliament with 158 MPs, and the centre-left People's Republican party with 49 seats.

Abstention by the DSP's 75 MPs, led by Mr Bülent Ecevit, was essential for the government's survival. However, Mr Ecevit, a former prime minister, has warned that he will oppose government actions that "go against our principles".

Commentators fear Mr Ecevit's opposition to privatisation and reform of the deficit-ridden social security system could make it difficult for Mr Yilmaz to adopt economic austerity measures to halt inflation of 78 per cent.

However, Mr Yilmaz said in an interview yesterday that "we will try to find [economic] solutions with the laws we have in our hands. We will not try to sort out the problems with laws which could be rejected".

Partners: Mr Mesut Yilmaz (right) cleared yesterday's parliamentary hurdle with the votes of his own Motherland party and of the True Path party of Mrs Tansu Çiller (left) *Reuter*

A Motherland economic adviser said the previous parliament had already approved important reform laws, such as a framework privatisation law. Other reforms could be tailored to meet DSP opposition without lessening their effectiveness.

The sale of minority stakes in the telephone system, Turkey's flagship privatisation project, is stalled until parliament amends privatisation legislation.

In February, the constitutional court accepted an appeal against the law lodged by Mr Mümtaz Soysal, a DSP MP, and struck down several clauses.

Other state companies can still be sold without further parliamentary approval.

Mr Yilmaz must still win parliamentary approval for the 1996 budget. Some Motherland officials fear Refah could mount a sustained, and possibly damaging, opposition to the government's proposals. They fear Refah will attempt to embarrass the government by blocking funds for individual ministries.

Still, top civil servants in Ankara are hopeful that, with the confidence vote behind him, Mr Yilmaz will fill senior economic posts that remain vacant.

The posts of central bank governor, treasury under-secretary, minister controlling the financial system, and economic co-ordination minister have yet to be appointed.

A marriage of convenience, Page 11

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Deal on Slovenia's debts put in jeopardy

By Kevin Done, East Europe Correspondent

The rump state of Yugoslavia – Serbia and Montenegro – is threatening to take legal action to halt a recent landmark foreign debt deal between Slovenia and the London Club of 400 commercial banks.

The western banks yesterday received a letter from US lawyers representing the National Bank of Yugoslavia and three Serbian banks warning them against accepting Slovenian bonds in exchange for part of the former Yugoslavia's commercial bank debt totalling around $4.1bn.

The letter claims that the Slovenian deal breaches the 1988 New Financing Agreement (NFA), the last debt restructuring deal between Belgrade and western banks before the break-up of Yugoslavia in 1991.

It warns that if the banks go ahead with the deal with Slovenia, which became independent in 1991, the National Bank of Yugoslavia and the Serbian banks will "pursue all remedies available to protect their rights under the New Financing Agreement".

It also threatens that any debt deal with Slovenia in "violation" of the rights of the National Bank of Yugoslavia could release the Yugoslav central bank from all its obligations under the NFA.

For the banks, which have three weeks to respond to the letter, the threat of litigation has come as an unpleasant surprise. They had hoped that the Slovenian deal could set a precedent for their separate negotiations with Croatia and Macedonia, and ultimately with Bosnia and rump Yugoslavia itself.

"It seems the Slovenian deal is dead," said one London banker specialising in former Yugoslavia debt. "They have been much more aggressive than people thought. Basically this stops the deal."

The Bank of Slovenia dismissed the Yugoslav action, and said that it was pressing ahead with the deal. It is issuing a letter to western banks shortly rebutting Yugoslav claims.

"We don't see any threat that the agreement will not go ahead," said Mr Janez Kosak, vice-governor of the Slovenian central bank.

"We feel confident about the legal structure we have completed and we have the agreement of creditors holding more than two-thirds of the debt."

The deal with the London Club is crucial for Slovenia, the most developed of the six former Yugoslav republics, which is seeking to build an independent presence in the international capital markets.

It is planning to launch its maiden issue in the Eurobond market later this year.

Under the deal, approved by parliament last week, Slovenia is taking over 18 per cent of the total outstanding obligations of former Yugoslavia to the commercial banks, which totalled $5.576bn at mid-January exchange rates including principal ($4.396bn) and interest.

It is issuing $822m of government bonds in exchange for the share of the NFA debt it has agreed with the London Club.

EUROPEAN NEWS DIGEST

Senior Italian judge arrested

The role of Italy's investigating magistrates has entered the election campaign after the surprise arrest on corruption charges of Mr Renato Squillante, a senior member of the Rome judiciary.

Mr Squillante, aged 71, is the second most prominent judge to be arrested since the Milan magistrates began their anti-corruption drive in 1992. Last night the nature of the charges was not revealed other than that they related to two alleged instances of corruption dating back to 1988 and that two other members of the judiciary were also under investigation.

From 1975 to 1980 he was a commissioner of Consob, the stock exchange watchdog and since then has handled several politically important cases.

The style and timing of the arrest immediately provoked criticism. Mr Squillante was arrested as his chauffeur prepared to take him to work in the Rome courts and he was transferred to Rebibia jail. It is unusual for someone in his position and at his age to be taken to prison, instead of being allowed bail. *Robert Graham, Rome*

Finland's credit rating boosted

Finland's determined battle to control its public finances despite one of Europe's highest unemployment rates was rewarded yesterday by an effective upgrading in its sovereign debt rating by IBCA, the European credit rating agency.

IBCA said its assignment of a AA rating "is justified by Finland's impressive resilience in the face of extraordinary economic shocks, which have provided a more demanding stress test than applied to any other European country in the post-war period".

However, the strain of unemployment running at close to 18 per cent of the workforce showed when Ms Liisa Jaakonsaari, the minister of labour, said Finland could not join the planned European monetary union as intended by the government unless there was a significant fall in the jobless rate. "It would be an almost impossible combination," she told the newspaper Karjalainen. *Hugh Carnegy, Stockholm*

French bank seeks Euro-justice

Société Générale, one of France's largest private sector banks, has launched a legal action in the European Court of Justice in Luxembourg against the government-backed rescue plan for Crédit Lyonnais.

The bank's action follows its unprecedented criticism of the bail-out, finalised last year and estimated to cost the French taxpayer up to FFr50bn ($9.9bn).

Société Générale, along with a number of other banks, including Banque Nationale de Paris, originally launched a campaign against the rescue and filed a complaint with the European Commission in Brussels.

They claimed that the costs of the restructuring were extremely high, and that they came without any adequate counterparty in the form of economies in the operations of Crédit Lyonnais. The Commission demanded several minor modifications to the plan, but approved the rescue essentially unchanged. *Andrew Jack, Paris*

Air France reaches pilots deal

Air France has reached an agreement with pilot unions to enable it to cut its losses and increase productivity. The pilots have agreed to fly on average 623 hours this year, compared with 542 hours in 1993, with no corresponding pay rise.

Air France pilots earn about $110,000 (£72,000) a year, making them among the world's highest paid. "The objective is to cut losses and take off again," Air France said.

However, Air France ground staff have called a 24-hour strike for Friday to protest against the company's restructuring plans *AP, Paris*

European tourist growth slows

Europe remains the world's top tourist destination, but the industry is growing at a markedly slower rate, the Organisation for Economic Co-operation and Development reported yesterday.

Terrorism was a factor in a drop in visitors to France in 1995, and a general economic malaise curbed growth in other countries, it said. Tourism produced the equivalent of $161bn in 1995, up from $140bn a year earlier. The OECD found that hotel stays – generally considered the best way to measure tourism – rose by a modest 2 per cent last year compared with an 11 per cent rise in 1994. *AP, Paris*

Warning on Russian banking

Nearly two thirds of Russia's commercial banks are likely to fold over the next few years, according to a European Union-financed report released yesterday.

The study forecast that Russia would follow the trend set by the post-communist countries of eastern Europe, where economic stabilisation set off a shake-out of the commercial banking sector. Some 1,500-1,600 out of the 2,285 commercial banks active in Russia are likely to vanish over the next few years, according to economists who prepared the Russian Financial Sector survey for the EU. But the analysts said that the banks which survived were likely to be stronger than before. *Chrystia Freeland, Moscow*

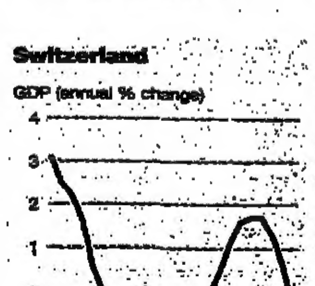
Hungary passes welfare budget

The Hungarian parliament yesterday accepted a much-delayed social security budget for 1996, including a tight Ft17.8bn ($124m) deficit, which should pave the way for a critical loan agreement with the International Monetary Fund as well as for membership of the Organisation for Economic Co-operation and Development.

The IMF decides on the stand-by loan, the first since the Socialist-Liberal coalition took office in 1994, on Friday. If it goes through, the OECD, which has already admitted the Czech Republic, is expected to approve Hungary's membership later this month. *Virginia Marsh, Budapest*

ECONOMIC WATCH

Switzerland's GDP declines



Switzerland's gross domestic product grew only 0.7 per cent last year, compared with 1.2 per cent in 1994. A 0.3 per cent decline in the fourth quarter has raised fears that the country could slide back into recession this year. Some economists have already revised their 1996 GDP forecasts downwards: Bank Julius Baer to 0.3 per cent and Union Bank of Switzerland to 0.6 per cent. The economy's slide has been caused largely by the negative impact of a steadily strengthening Swiss franc on the country's export and tourism sectors. The Swiss National Bank cut its discount rate four times during 1995, leaving it at only 1.5 per cent. Mr Markus Lusser, SNB president, said in a speech in Zurich yesterday that demand for money was picking up.

The central bank's target of 1 per cent average annual growth in the monetary base might be reached this year after falling short in 1995.

Although the economy would remain weak over the next few months, Mr Lusser was still confident activity would pick up late in the year. "I don't believe we are faced with the risk of recession," he said. *Ian Rodger, Zurich*

MEPs attack UK, France on IGC veto

By Neil Buckley in Strasbourg

European parliamentarians yesterday attacked Britain and France for blocking a plan to invite them to take part in negotiations in the forthcoming intergovernmental conference (IGC) on the future of the European Union.

"It is pure hypocrisy for ministers to talk about making Europe more open and democratic, and then to exclude the only democratically elected institution," said Ms Pauline Green, president of the 217-strong Socialist bloc in Strasbourg.

Ms Green said it was important not to repeat the errors of the negotiations of the Maastricht treaty, from which the parliament was excluded. Representation of parliament in the negotiations would give "democratic legitimacy" to the IGC, she said. Ms Green urged British and French citizens to challenge their governments on the issue.

MEPs in Strasbourg will today debate a resolution on their priorities for the IGC, which starts at the end of the month. The British and French prevented a weekend meeting of EU foreign ministers in Palermo from agreeing a compromise, put forward by the Italian presidency, that would have required the parliament to be kept closely informed on the progress of the IGC talks.

The majority of member governments want the parliament to have a role in the IGC. But Britain and France insist that as the IGC concerns negotiations between governments – whose outcome will be ratified by national parliaments – the European parliament does not have a place in them.

Mr Wilfried Martens, president of the christian democrat European People's party, the second-biggest parliamentary grouping with 173 members, said yesterday he was "very disappointed" by the outcome of the Palermo meeting, but had "not lost hope completely".

Mr Martens believed it was vital that the European parliament should be given the right, alongside national parliaments, to ratify the results of the IGC, and any future

> 'It is pure hypocrisy for ministers to talk about making Europe more open and democratic'

changes to the European treaty – one of the priorities in the parliament's resolution.

In their debate today MEPs will consider a 19-page resolution – plus 230 proposed amendments – including demands for:

- An enhanced role for parliament, with a simplified co-decision procedure giving parliament equal status with the Council of Ministers on legislation where decisions are taken by majority vote.
- One European commissioner per member state.
- The president of the Commission to be elected by parliament.
- European citizenship to be developed complementary to national citizenship.
- The "third pillar" – justice and home affairs issues such as immigration, asylum and drug trafficking - to come under the umbrella of EU institutions.

González gives his blessing to likely successor

By Tom Burns in Madrid

A stable Spanish government headed by Mr José María Aznar's centre-right Popular party (PP) is "possible, desirable and even probable", Mr Felipe González, the outgoing Socialist prime minister, said yesterday.

He was speaking after a 90-minute meeting between the two men which appeared to *dispel much of the political* uncertainty following the March 3 elections in which the PP won the most seats but fell well short of an outright majority.

Mr Aznar faces tough negotiations with minority nationalist parties to create a governing majority but he is likely, in the end, to create a stable administration.

Mr González said it was the responsibility of the PP, as the largest party, to form the government and that the new administration should remove the spectre of political instability by serving out its full four-year term.

Mr González, prime minister for more than 13 years, looked relaxed after the meeting and almost seemed to be looking forward to a spell in opposition.

He said his Socialist party, which won 141 seats to the PP's 156 in the 350-member parliament, would oppose Mr Aznar when he sought the confidence of the house in an investiture debate next month but would not be "an obstacle" to support by other parties for a PP government.

Mr Aznar who held a separate press conference in the grounds of the Moncloa Palace, the official residence of Spain's prime ministers where the meeting took place, said his talks with the nationalist

González (right) and Aznar after talks in Madrid yesterday *Reuter*

parties were "on the right track, looked reasonably *encouraging and had their* own rhythm".

The PP has begun negotiating the framework of an alliance with the Catalan and the Basque nationalist MPs in the Madrid parliament and Mr *Aznar is now preparing for* meetings with the leaders of both groups later in the week.

The 21 seats that the two nationalist parties have between them in parliament would ensure an outright majority for the centre-right.

Mr Aznar is also seeking the support of regional parties in the Canary Islands and in Valencia which have a further five MPs. "We will all have to make concessions and give up part of our electoral programmes," Mr Aznar said. He warned that a final agreement could take time.

The PP and the nationalist parties all broadly share pro-business economic policies. Mr Aznar is likely to offer generous self-government terms to secure the support of the Basques and the Catalans.

Warsaw to guarantee third-party grid access

Poland plans power sell-off over 7 years

By Christopher Bobinski in Warsaw

Most of Poland's electricity generating and distribution sector should be in private hands within seven years, the government said in a white paper yesterday.

"We need to privatise to keep energy prices from growing too fast, to obtain capital for modernisation and to get access to technical know-how and management skills" Mr Klemens Scierski, the industry minister, said yesterday.

He added that around $50bn was needed to be spent over 15 years to modernise the pollution-ridden industry, half of whose 33,000MW of capacity needs to be replaced.

The Industry Ministry is in the final stages of choosing an adviser for the privatisation of the 2,740MW Patnow-Adamow-Konin (PAK) generating complex in western Poland which provides around 10 per cent of the country's power.

This is seen as a pilot privatisation along with the sale of two regional distributors, ZE Gliwice in the industrial district of Silesia and ZE Poznan, in the west of the country.

The overall privatisation scheme – broadly modelled on the UK power sector privatisation – comes as parliament is debating a delayed move to set up a regulator for the industry.

The government intends that privatisation enshrine the principle of third-party access (TPA) to the national electricity grid and its network of gas pipelines, allowing all producers to use the energy distribution system on equal terms.

Mr Zbigniew Bicki, the head of the Polish Power Grid Company (PSE), which buys power from generators and distributes and sells it to 33 regional distribution companies, said yesterday the proposed reforms "could not be implemented" if the TPA principle was voted out of the draft energy law.

TPA is opposed in parliament by the gas lobby which fears competition from future supplies of Russian gas and more covertly by sections of the power industry fearing that the introduction of competition will lead to some of the companies folding.

Under the proposed changes, PSE would manage the distribution system but cede its wholesale functions to the distributors, and to the energy brokers who are expected to appear as a free market in electricity develops.

The PSE is also to be privatised.

The white paper envisages the formation and privatisation of 5-10 groups of power producers augmented by smaller local generators from among the 62 existing power and heat and power plants.

These companies would sell power to regional distributors and directly to large customers. PSE initially would handle exports and imports through Poland's links established last year to the western European grid.

France's Post Office tries to deliver change

Andrew Jack reports on how an old institution is drawing criticism for experimenting with services

Mr Jacques Lenormand, deputy managing director of the French Post Office, has no difficulty remembering the exact date four years ago when a last-minute political manoeuvre scuppered his revolutionary plans to launch an interest-bearing current account.

The details of "Libertitude" had been finalised, and the advertising campaign was ready. "I had left for my skiing holiday in Val d'Isère when I was interrupted," he recalls. The posters on his wall are all that remains of the idea, quashed by ministers at the last minute.

The incident highlights the Post Office's growing interest and record of innovation in the field of financial services, and the often effective counter-attacks from its banking and insurance competitors.

Mr Lenormand shows no sign of giving up the struggle. Last year, he laid the foundations for a sharp growth in the sale of life assurance policies, signing a contracts with Assurances Générales de France to complement the scheme available through its branches already provided by Caisse Nationale de Prevoyance.

He is currently in the process of finding and training 400 new financial advisers. He is developing ways to attract more business clients, stressing the sophisticated treasury management and money transfer facilities of the Post Office.

For the future, he is experimenting with innovative services such as selling postage stamps through cash dispensers. He is also considering ways to boost the volume of loans offered to individuals, including more at variable interest rates.

Each such step will further irritate France's other financial institutions, which claim that the Post Office has benefits from tax deductions and fewer regulatory controls than its rivals. They say its network of more that 14,000 branches and its reputation for trustworthiness give it a competitive advantage.

Mr Lenormand says the aggression reflects the fact that the Post Office has been fighting back. During the 1980s, it was losing 0.8 per cent a year of its financial services income to French banks. Since then, it has reversed the trend - at a time when competition

From delivering letters to competing with the leading banks

has been intensifying in other areas.

He rejects his competitors' claims about unfair advantages. He admits that the Post Office pays 15 per cent of the level of "professional tax" levied on companies for its branches, but says the FFr1.2bn ($230m) annual saving is more than consumed in FFr3bn in subsidies to keep loss-making branches in small communities open.

He says 90 per cent of branches are in settlements of fewer than 5,000 people – one branch had turnover of just FFr47,000 (£6,064) in 1994. The Post Office has pledged to close no branches, at least until the end of next year when its charter with the state comes up for renegotiation.

The French association of insurance companies has pursued the French government in the European Court of Justice on the subject – despite the fact that Mr Lenormand says the Post Office signed an accord until the end of this year with the body agreeing not to sell non-life insurance policies in its branches. He says there is "no project yet" to change tack after 1996.

Countering the banks' arguments that the Post Office does not have to follow the same prudential ratios against lending, he stresses that the institution is forbidden from making commercial loans. All it can provide are overdrafts and some top-up housing loans, making up a small volume with low risk.

More awkward is the charge that the Post Office has no equity, making it more difficult to judge its efficiency. He replies simply in terms of the substantial income and employment generated by the state through the institution.

He also points out that he has lost ground on a number of occasions, such as when the French banks agreed at the end of last year to accept lower commission from the government on its new zero per cent housing loan programme, as long as the Post Office was banned from providing them.

He accuses the banks and insurers of having an element of hypocrisy in their complaints. While they argue that the Post Office is stealing their business, they are happy to agree vast contracts to manage the funds it collects.

The most recent attack from the banks followed leaked proposals earlier this year that the Post Office planned to restructure, sacrificing traditional postal services in favour of financial products.

Mr Lenormand argues the opposite: that his aim is to boost the proportion of postal business conducted through branches – currently just 13 per cent – to help keep local offices open.

NEWS: INTERNATIONAL

Foreign investors put record $90bn into poor nations

By Robert Chote, Economics Editor

Foreign direct investment in developing countries rose to a record $90bn last year, offsetting a decline in passive portfolio investment, according to the World Bank's latest annual World Debt Tables.

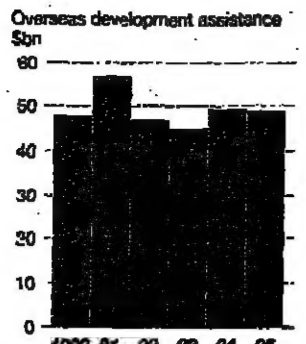
Foreign direct investment accounted for 54 per cent of private capital flows into developing countries last year, up from 50 per cent in 1994. It has grown steadily in importance during the 1990s, driven in part by the opportunities to invest created by privatisation.

Total net resource flows into developing countries rose by nearly 12 per cent last year to $231bn. Mr Michael Bruno, the World Bank's chief economist, said that private investment flows had been resilient in the aftermath of the Mexican crisis, especially in countries where the markets had confidence in economic policies.

But one consequence of the crisis was a dramatic shift in the destination of private capital flows. East Asia and the Pacific lifted its share of total capital inflows from 41 per cent in 1993 to 59 per cent in 1995. Latin America and the Caribbean meanwhile saw its share decline from 38 to 20 per cent over the same period.

The World Bank said that the outlook for sustained private capital flows remained bright, despite the fact that portfolio investment in the shares of developing nation companies had halved since 1993. Private flows will be sustained by globalisation of production, sound economic policies in recipient countries and the desire by institutions in industrialised countries to diversify investments geographically.

Developing countries debt



Source: World Bank

Commercial banks were another important source of the rise in private capital flows to developing countries last year. Their contribution rose from £9.2bn ($14bn) in 1994 to £17.1bn in 1995.

The World Bank warned that the optimistic outlook for private flows did not apply to official aid. These flows fell by 6 per cent in real terms in 1994, taking the proportion of industrialised country national incomes spent on aid to less than 0.3 per cent.

The value of external debt held by developing countries rose by 8 per cent last year, driven by the big inflow of private financing and the Mexican rescue package. However, the burden of debt declined in most regions because of rapid export growth.

Israel attacks UK Palestinian charity

By Julian Ozanne in Tel Aviv and Clay Harris in London

The Israeli government yesterday stepped up pressure on Britain to crack down on Palestinian fund-raising.

Israeli military intelligence claimed that Interpal, a UK-based charity whose bank accounts were frozen last week by the Charity Commission, masterminded the fund-raising for the Hamas Islamic movement in Europe.

Israeli police, meanwhile, released documents about financial support given to the families of three Hamas military activists by two Nazareth-based charities which they claim are funded by Interpal.

A senior military officer said Interpal, also known as the Palestinian Relief and Development Fund, raised money exclusively for Hamas institutions and directly provided support to families of Hamas guerrillas and suicide bombers.

"Interpal is the main source of funds for Hamas outside the [Palestinian] territories," he said.

In London, Mr Abdul Rahman Daya, Interpal chairman, said: "What is their proof? I don't know what they are talking about. I don't know what the Israelis are trying to achieve."

Charity Commission officials will today visit Interpal's offices in north London to study its records. After a meeting with Interpal trustees yesterday, the commission said: "The charity can continue to function and fund projects undertaken on their behalf by various Palestinian charities." For the time being, all spending must be approved by the commission.

The Israeli military officer alleged that Interpal was directly connected to the Finance Committee of Hamas, which decides the expenditure priorities of the movement together with the Internal Committee, and gave directions to other Hamas fund-raising groups in Europe. "All the European funds are co-ordinated by Interpal," he said.

Mr Daya described this contention as "rubbish".

Last week police named Interpal and Al Aqsa, based in Germany, as the source of funds to Mr Suleiman Agbariah, who has been placed under house arrest by Israeli authorities and had his telephone cut off pending the results of an investigation.

Police say have they have more than 60 cases proving that Mr Agbariah's charities – the Islamic Salvation Fund and the Islamic Rescue Fund – gave money directly to the families of Hamas guerrillas.

They provided documents from three cases which they allege prove a link between Mr Agbariah and his charities with known activists in the Izz el-Deen al-Qassam Brigades, the military wing of Hamas which has claimed responsibility for recent suicide attacks in Israel.

Mr Daya said neither organisation appeared in Interpal's own records or bank records.

The documents, written in Arabic, are application forms filled out by the families of Hamas "martyrs" seeking aid from Mr Agbariah's funds. All three are from families of young men who died in Hamas military activities.

One application came from the mother of 20-year-old Iman Salah Salame Atallah, who died in a suicide mission in Gaza in 1993, in which two Israeli soldiers were killed.

Police say in all cases money was approved from Mr Agbariah's charities, often more significant sums than recommended by charity field workers in the documents.

The intelligence officer said Israel had material evidence that some of the money sent by Interpal to registered schools, clinics, orphanages and welfare societies had been diverted to the families of Hamas guerrillas.

In London, Mr Daya, when asked if any of the 36 charities which Interpal funds were linked to Hamas, said: "Maybe." Interpal did not screen recipients to exclude those with links to Hamas activists. "A poor family is a poor family," Mr Daya said. "We do not check on why the family has been made poor."

The Israeli officer said it was impossible to divulge material evidence because it would put informants at risk. But he said evidence had been passed to the UK government and other European countries which proved the link between the European charities and funding of the Hamas military campaign.

Israel's right unites against Peres

By Julian Ozanne and Avi Machlis in Jerusalem

Mr David Levy, Israel's maverick rightwing politician, yesterday withdrew from the race for prime minister and joined a single, unified rightwing bloc against Mr Shimon Peres, the prime minister, and his Labour-led government in May elections.

The agreement leaves Mr Benjamin Netanyahu, leader of the rightwing Likud party, as sole challenger to Mr Peres and will considerably boost the electoral chances of the right wing, which opposes the government's Middle East peace policies.

The formation of a single rightwing bloc is a further blow for the peace process and for Mr Peres, who has taken a hammering in recent opinion polls following a wave of Islamist suicide bombings in Israel.

Levy (left), Netanyahu (centre) and Eitan shake on their alliance

After weeks of tortuous negotiations, Likud, Israel's largest opposition party, yesterday signed an agreement with Gesher, the new party formed by Mr Levy, a former foreign minister, after he split from Likud last year. The Likud-Gesher agreement followed a similar agreement in February between Likud and the ultra-nationalist Tsomet party of Mr Rafael Eitan.

The united Likud-Tsomet-Gesher bloc will present a single list of parliamentary candidates and will run on a platform opposing the peace process. The agreement of Mr Levy, who enjoys significant support among disadvantaged Oriental Jews, was seen as critical for Mr Netanyahu's chances of defeating Mr Peres, in the all-important first round of the separate ballot for the direct election of the prime minister.

The rightwing pact complicates Mr Peres' already difficult political situation. Recent opinion polls show that his lead of 15-20 points over Mr Netanyahu a month ago has been reversed following the suicide bombings by the Hamas Islamist movement which have killed 58 people in Israel. The latest poll showed 49 per cent of Israelis would vote for Mr Netanyahu and 46 per cent for Mr Peres.

UV radiation hits record high level in northern world

By Clive Cookson, Science Editor

Ultraviolet radiation from the sun reached a record intensity for the time of year over parts of the northern hemisphere this month.

Separate announcements yesterday by the World Meteorological Organisation in Geneva and the UK National Radiological Protection Board show that destruction of the protective ozone layer by man-made chemicals in the upper atmosphere is worsening. For the first time, this is leading to a large increase in the amount of ultraviolet radiation on the ground.

Since mid-February, satellites and ground stations in the WMO Global Ozone Observing System have measured ozone depletion of up to 45 per cent – the lowest ozone levels ever recorded – over the sub-polar region from Greenland and Scandinavia to western Siberia. Ozone destruction of 20 to 30 per cent extended over a wide area of the northern mid-latitudes, including the British Isles.

Announcing the results, Professor Roger Clarke, the National Radiological Protection Board's director, said: "This is the first occasion on which we have measured significantly higher than normal levels of solar UV at ground level in the UK. It is likely that depleted ozone levels in the atmosphere and clear weather conditions over this period are responsible."

Scientists say the radiation levels last week were typically seen in late April when the sun is much stronger. "These increased levels... are not considered to represent a significant health hazard since they are short-term and only contribute a very small amount to the annual UV dose," said Prof Clarke.

Ozone depletion is a seasonal phenomenon, starting when the upper atmosphere is coldest in mid-winter and finishing in late spring. There has been no clear evidence of increased ultraviolet radiation during the summer, when it would do the most damage.

But the new readings are likely to increase pressure for more cuts in the production of ozone-depleting chemicals.

Moroccan bank blazes securities trail in N Africa

By Antonia Sharpe

Morocco yesterday opened up further to international investors when Banque Marocaine du Commerce Extérieur (BMCE), the country's second-largest bank, became the first North African entity to launch an offering of global depositary receipts.

Analysts said BMCE was an ideal trail-blazer for North African GDRs because it was one of the best known banks in the region.

GDRs, which represent an interest in the shares of the issuer, are mainly bought by foreign investors who want exposure to an emerging economy but who do not want, or are not allowed, to deal directly in that country's stock market.

The instruments meet their needs because they are denominated in dollars and are cleared through multinational clearing houses such as Cedel and Euroclear. They are mainly traded in London, where they are listed.

Although BMCE is controlled by Mr Othman Benjelloun, one of Morocco's leading businessmen, its strong operating performance since privatisation last year has not gone unnoticed by foreign banks and institutions.

The bank counts Citibank, Commerzbank, Deutsche Morgan Grenfell, Mr George Soros's Quantum Emerging Growth Fund, Morgan Stanley Asset Management and the Framlington Maghreb Fund among its shareholders. "The GDR offering will allow the bank to expand its foreign investor base," said one analyst.

BMCE's $50m offering reflects the increasing interest in Morocco among international investors, attracted by the country's political stability and the success of its privatisation programme.

Since 1993, the government has raised about $870m from state asset disposals, of which about one third came from foreigners through portfolio or direct investment.

NEWS: WORLD TRADE

Philippine plastics proposal dropped

By Edward Luce in Manila and Jenny Luesby in London

Mitsui of Japan has scrapped plans to build a 3.45bn peso ($130m) polypropylene plant in the Philippines because of government plans to halve petrochemical tariffs.

The company had planned to start production at a 120,000-tonne-a-year plant in Bataan Province by 1998. But the tariff cuts, before Congress as part of a long-delayed oil liberalisation programme, meant the project was no longer viable.

Mitsui is one of several companies which have been lobbying for tariffs of 20-30 per cent to create a level playing field with protected producers in Indonesia, Singapore and Thailand.

In Thailand, tariffs on plastics are 30 per cent, while in Indonesia, the petrochemicals industry is protected by a 20 per cent tariff and a 20 per cent import surcharge. However, the tariffs in the Philippines will now fall to 10 per cent.

This comes amid concerns that the Philippines' plastics market will become flooded within the next three years as local production takes off.

The country at present relies on imports for all its polypropylene and polyethylene. But a new petrochemicals complex in Bataan has drawn proposals for four plastics plants, apart from Mitsui's.

A joint venture between Sumitomo of Japan, BASF of Germany and local partners is planning to build a 160,000 tonnes-a-year polypropylene plant. Marubeni of Japan and Gokongwei of the Philippines plan a 180,000 tonnes-per-year polypropylene plant and a 175,000-tonnes-a-year polyethylene plant.

A third joint venture, between Sumitomo of Japan, BP Chemicals of the UK and local partners, plans to build a 200,000-tonnes-a-year polyethylene plant. This will take the country's capacity to 340,000 tonnes a year of polypropylene and 375,000 tonnes a year of polyethylene, by 1998. The domestic market for polypropylene is at present 220,000 tonnes a year.

Division over restrictions on foreign ownership complicates WTO talks

EU split over liberalising telecoms

By Guy de Jonquières

The outlook for World Trade Organisation talks on liberalising basic telecommunications was thrown into uncertainty yesterday by a split between European Union governments over whether to improve the EU's negotiating offer.

Trade diplomats in Geneva said the dispute threatened to slow the negotiations by discouraging other WTO members, particularly developing countries, from making the concessions needed to conclude a deal by the end of next month.

"This will certainly complicate the negotiations," one diplomat said.

"It will make a lot of people nervous and push everything much closer to the deadline for an agreement."

The dispute was triggered by a European Commission proposal that the EU should offer WTO members a liberalisation package which would go further than the EU's own plan to open its telecommunications market to competition in 1998.

The proposal would require Belgium, France, Italy, Portugal and Spain to abolish restrictions on foreign ownership of their telecommunications industries. These restrictions are scheduled to continue beyond 1998.

Spain would also lose its hard-fought right to delay liberalising its telecommunications market until 2003, while Belgium would have to scrap a requirement that applications for radio communications licences meet an "economic needs" test.

At a meeting of EU officials yesterday, Spain flatly rejected the commission proposal, while France and Belgium said it was politically difficult to accept. However, it was broadly backed by Britain, Germany, the Netherlands and the EU's Nordic members.

Though the proposal will be discussed by EU officials at two further meetings this week, opponents are expected to insist that no decision be taken before the next EU foreign ministers' council meeting on March 25.

"The stage is now set for a big row in the council," one EU government official said.

The Commission has been under strong US pressure to table a more liberal package in the WTO. Some trade diplomats said the US had hinted that unless the EU moved rapidly, it might reconsider its recent offer to open its own telecommunications market fully to international competition.

The Commission argued at yesterday's meeting that the EU needed to offer totally free access to its market if developing countries were to agree to liberalise their markets further. The US and EU have both insisted that movement by developing countries is vital to achieve an agreement.

But though the Commission has said its proposal would be conditional on winning satisfactory concessions from other WTO members, several EU governments have accused Brussels of wanting to give ground before it is sure of receiving anything in return.

Some EU governments expressed surprise yesterday at the unorthodox way in which the Commission made its proposals. They were circulated as a draft negotiating offer, faxed to national capitals on Monday by Mr Karl Falkenberg, the EU's chief negotiator in the WTO talks.

Some officials suggested that the Commission hoped that, by publicising its proposals, it would put pressure on opponents to budge. However, others feared that uncertainty about the EU's position would much reduce chances of progress in the WTO negotiations, which are due to resume on Monday.

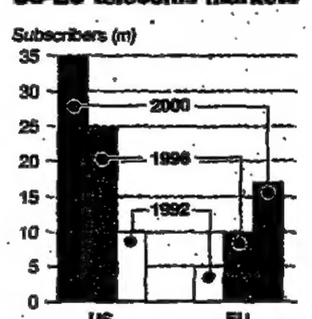
The talks involve 48 WTO members, which together account for about 90 per cent of the world's telecommunications traffic.

Mr Malcolm Rifkind, Britain's foreign secretary, yesterday backed the development of regional trade arrangements, saying they would strengthen the World Trade Organisation and contribute to the achievement of global free trade, writes Guy de Jonquières.

Mr Rifkind noted concerns that regional initiatives detracted from efforts to liberalise at a global level. However, he said: "What I do not accept is that there is a single path towards global free trade, that effort made outside the WTO is effort wasted. I am convinced that regional initiatives, if they are compatible with WTO rules, are a vital building-block to wider progress," he told the British-American Business Council in London.

Mr Rifkind said last year's US-EU agreement on an action plan to liberalise transatlantic trade promised to achieve substantial economic benefits. But he said both sides must ensure that their relationship remained outward-looking and open to the rest of the world.

US-EU telecoms markets



Source: US Department of Commerce

Call for US tariff law renewal

By Nancy Dunne in Washington

Bipartisan groups of US Senate and House members are calling for swift renewal of legislation which cuts tariffs on imports from developing countries.

Renewal of the US Generalised System of Preferences, which lapsed on July 31 1995, is contained in a provision of the "balanced budget" bill over which the White House and Congress are still at odds. Failure to agree on the budget bill has twice closed government agencies, and a third partial shutdown looms on Friday.

GSP has been strongly supported by Republicans and Democrats, but under current rules must be "paid for" by funds allocated in the budget. The current one-year cost of the GSP is around $430m. A 17-month renewal is contemplated, backdating the programme to last July.

Senators and House members say failure to renew the GSP is having "severe repercussions" in developing countries as well as for US importers who rely on the programme.

The GSP, launched in 1976, provides duty-free entry to selected products from developing countries, based on the theory that trade opportunities in the US market would be more effective than foreign aid.

The loss of GSP is depriving Mr Mickey Kantor, US trade representative, of one of his tools to push for improvement of workers' rights in developing countries.

Last week he withdrew about $40m of Pakistan's $90m trade benefits because of the country's failure to improve child labour conditions. Duty-free status will be denied for surgical instruments, sporting goods and some hand-knitted carpets, once the programme is re-established.

In a letter to Senator Robert Dole, Republican Senate leader, 18 senators warned that the failure to renew GSP had "very negative foreign policy implications". It "damages US credibility and our positive relationships with these [developing] countries".

Thirteen House members have written to Mr Bill Archer, chairman of the ways and means committee, to warn of a "terrible situation facing small businesses that rely on the GSP".

Many have had to pay duties on raw material imports from long-term suppliers.

The letter states that the new tax burden is mounting every month that GSP is not renewed, requiring many small businesses to obtain loans and other credit to pay the taxes. "Many of these loans are being secured with personal assets. The longer it takes to renew GSP, the more nervous lenders are becoming and the more likely these businesses will have to lay off employees or even close," the letter said.

One such business is Mainly Baskets, a small import wholesale company which has had to cut new equipment purchases. Due to the suspension of GSP, the company has not contributed to its pension plan and cut medical benefits for its 10 employees.

Mr John Smith, president of Amsurco of New Jersey, an importer of products used to make inks and coatings, said he had had to post duties ranging from $40,000 to $60,000 a month on materials from Argentina.

He was forced to put up his home as collateral for a loan to pay the duties.

OECD Export Credit Rates

The Organisation for Economic Co-operation and Development announced new minimum interest rates (%) for officially supported export credits for March 15 1996 to April 14 1996 (February 15 1996 to March 14 1996 in brackets).

D-Mark	6.55	(6.03)
Ecu	6.76	(6.56)
French franc	6.91	(6.91)
Guilder		
up to 5 years	6.15	(5.80)
5 to 8.5 years	6.80	(6.25)
more than 8.5 years	7.75	(7.25)
Italian lira	9.56	(9.63)
Yen*	2.80	(2.80)
Peseta	10.17	(10.12)
Sterling	8.14	(7.88)
Swiss franc	5.18	(5.16)
US dollar for credits		
up to 5 years	6.14	(6.20)
5 to 8.5 years	6.38	(6.36)
more than 8.5 years	6.64	(6.54)

* On March 23 1996, the Yen rate will rise to 3.00.

These rates are published monthly by the Financial Times, normally in the middle of the month. A premium of 0.2 per cent is to be added to the credit rates when fixing at bid. Interest rates may not be fixed for more than 120 days.

WORLD TRADE NEWS DIGEST

Renault signs Brazil pact

Renault, the French motor group, yesterday signed an agreement with the Brazilian state of Parana which could lead to an investment in the region of up to FFr5bn ($980m) over the next few years. Under the deal, the state and other investors will contribute up to FFr1.5bn to the development. The state of Parana, the regional economic development fund, local banks and other investors will create a pool to control 40 per cent of Renault do Brasil. The parent company will hold the remaining 60 per cent.

In the first stage, Renault do Brasil will invest FFr3.5bn and local suppliers at least FFr300m in building a plant in Curitiba, the state capital, and in creating a distribution network. The state of Parana will also provide financial, fiscal and technical assistance and land.

The plant has a planned production capacity of 120,000 vehicles a year. Construction will begin in the second half of this year and the factory should be operational by 1999 to assemble the new Renault Mégane, and later a second vehicle.

A further investment of FFr1.2bn will be made after 2000 if market growth is adequate. Renault is aiming for a market share of 7-8 per cent by 2005 in Brazil, where more than 2m vehicles a year are sold. It hopes to be able to take advantage of the Mercosur customs union linking Brazil with Argentina, Paraguay and Uruguay to develop its markets in South America.

Andrew Jack, Paris

US order for Saab Aircraft

Saab Aircraft of Sweden has won an order worth $340m for 50 Saab 340 regional airliners from Mesaba Airlines of the US. This is one of the biggest orders won by the Swedish manufacturer since a sharp fall in orders in 1994.

Mesaba operates as Northwest Airlink providing a connecting service to Northwest Airlines from 61 US and Canadian cities. The airline has ordered 30 new 340s and 20 used aircraft and taken an option for a further 22 new 340s. The Saabs will replace Mesaba's existing fleet of Mairchild Metro and de Havilland Dash 8-100 aircraft.

The Mesaba deal increases to 433 the total order book for Saab 340s. It compares with total orders last year of 31, and with just three in 1994. Saab's civil aircraft division made a loss last year, with orders for its newer Saab 2000 aircraft remaining weak.

The Mesaba order is a welcome rebound for Saab in North America after the retreat into Chapter 11 status of another of its US customers, Business Express. *Hugh Carnegy, Stockholm*

Electronic boost for TIR system

More than 30 countries operating the TIR international transit system for lorry freight in Europe have agreed to a common electronic information system to help combat fraud.

The information system will allow consignments to be tracked throughout their journey and should help in the detection of smuggling. Devised jointly by customs authorities and the transport industry and now being tested in several countries, the system is due to be fully operational by May.

It will be run by the Geneva-based International Road Transport Union and national associations that guarantee consignments using the TIR carnet.

Under the TIR scheme, which has more than 50 members, loaded trucks are sealed and the TIR carnet allows them to pass national frontiers with the minimum of red tape.

The United Nations Economic Commission for Europe, which administers the TIR convention, said yesterday that the new electronic control system would "make fraudulent activities much more difficult if not impossible".

Frances Williams, Geneva

Uphill battle for Dole to beat Clinton

By Jurek Martin in Washington

Senator Bob Dole was expected to sail smoothly through yesterday's round of seven Republican primaries but new public opinion polls confirm he can expect rougher waters against President Bill Clinton in the November general election.

A Washington Post/ABC survey yesterday had the president ahead of the majority leader by 56-39 per cent. This is comparable to the advantage he has been given in some other polls, though one this week for Time/CNN had Mr Clinton ahead by a more modest 49-40 per cent.

At least Mr Dole was trailing the president by less than his two remaining primary rivals.

Mr Clinton was given a 61-33 per cent lead over Mr Steve Forbes, the magazine publisher, and was trouncing Mr Pat Buchanan, the conservative pundit, by 65-28 per cent in the Post/ABC poll.

With his nomination all but in the bag, speculation is inevitably mounting about Mr Dole's choice of a vice presidential running mate. Equally inevitably, the name mentioned more frequently than any other is retired General Colin Powell, former chairman of the joint chiefs of staff.

The Time/CNN poll adds fuel to the flames by finding a Dole-Powell ticket slightly ahead, by 47-45 per cent, when matched against Mr Clinton and Vice President Al Gore.

By contrast, Mr Dole loses when paired with two other possible selections, popular big state governors Christie Whitman of New Jersey and John Engler of Michigan. Clinton-Gore beats Dole-Whitman 51-40 per cent and Dole-Engler 50-38 per cent.

Mr Buchanan has repeatedly warned that Gen Powell's presence on the ticket will cause both anti-abortionists and doctrinaire conservatives to bolt the party. However, the polling evidence is that their loss would be more than offset by the addition of moderate Republicans, independents and some Democrats attracted by Gen Powell.

But Mr Powell has shown no signs of going back on his promise not to seek national office this year. That has promoted speculation that the majority leader might explicitly offer him the position of secretary of state in a Dole administration.

Another vice presidential possibility being touted in conservative circles is Congressman John Kasich of Ohio, energetic chairman of the House budget committee. At 43, he would bring youth to a ticket likely to be headed by a 72-year-old and would also add a reformist element not very pronounced in Mr Dole himself.

Falklands fishing fee refunded

By Matthew Doman in Buenos Aires

British fishing authorities have refunded a £70,000 ($110,000) licence fee charged last week to an Argentine-registered, US-owned vessel for fishing around South Georgia in the south Atlantic.

The refund, and the withdrawal of the vessel from the territorial waters of the uninhabited UK dependency, should ease recent stresses in Argentine-British relations which worsened when Argentina protested at the fee on a vessel carrying its flag.

The move was seen by the Argentine government as representing a hardening of British attitudes towards Buenos Aires' claims to sovereignty over the islands and threatened to derail talks on fishing co-operation in disputed waters around both South Georgia and the Falkland islands.

The British Embassy in Buenos Aires said the fee was refunded at the request of the Seattle-based company, American Sea Food, which had decided to withdraw its vessel, Atlantic III, from South Georgia waters.

Tough anti-Cuba law signed in US

By Nancy Dunne in Washington and Stephen Fidler in London

Jesse Helms: anti-communist architect of the legislation AFP

President Bill Clinton yesterday signed into law tough new legislation which he said would send a "powerful, unified message to Havana" by discouraging foreign companies from doing business in Cuba.

The legislation, driven by outrage over Cuba's downing of two civilian aircraft two weeks ago, allows Cuban Americans, whose property has been expropriated by the Cuban government, to sue in US courts foreign companies benefiting from the property. Foreign nationals "trafficking" in such property could be denied entry into the US.

Mr Clinton yesterday had the families of the downed pilots on hand to witness the bill's signing. "In their memory I will continue to do everything I can to help the tide of democracy that has swept our entire hemisphere finally reach the shores of Cuba," he said.

The legislation was sponsored by Senator Jesse Helms, long-time anti-communist and chairman of the Senate foreign relations committee, and Congressman Daniel Burton, chairman of the western hemisphere subcommittee.

The bill had been blocked by a filibuster until the shooting down of the jets.

The legislation has brought protests from the US's closest trading partners, including Canada and the European Union. But Mr Marc Thiessen, a spokesman for Mr Helms, said: "The EU, instead of crying and moaning, should re-examine what it's doing. The time for appeasement to Havana is over."

Driven by election year politics, Mr Clinton agreed to sign the legislation after negotiating for the right to suspend the provision allowing lawsuits. He can only waive it for six months at a time and he must declare the suspension to be both in the national interest and necessary for boosting democracy in Cuba.

If he does not use his waiver powers, about which he must make a declaration by July 15, the right to sue will become effective on August 1.

Mr Thiessen said the legislation would create "a legal minefield" for those companies doing business in Cuba.

Mr Tod Malen, executive director of the Washington-based Organisation for International Investment, said that the legislation put foreign-owned companies with big investments in the US under great threat from lawsuits.

"We'll be organising ourselves to try to encourage the president to use his suspension authority and to get regulations implemented which have the lowest possible impact on companies here."

US lawyers said much of the ambiguity of the legislation would only be resolved by the courts. Mr John Coogan, a lawyer at Cole Corette and Abrutyn in Washington, said companies doing business in Cuba could be liable to damages as high as four times the value of the property as certified by the US Foreign Claims Settlement Commission. The courts would have to decide whether the operation of a subsidiary in Cuba would taint an entire multinational corporation.

He said there were 5,911 certified expropriation claims, of which some 700 to 800 might qualify for the right to bring a private lawsuit. However, non-US claimants could transfer their claims to US corporations meaning "the universe of potential new claimants is larger than simply the Cuban-American community presently residing in the US".

The act allows US nationals to settle lawsuits by accepting an interest in the appropriated property. The effect of this is "to grant private US nationals a unilateral right to lift the US embargo against Cuba on a case-by-case basis", he said.

Some governments are studying retaliation if their businessmen are refused US visas. "US executives could quickly find themselves getting barred from other countries. This could escalate into a little visa war," said Mr Malen.

Anglophones in Quebec take to their heels

Bouchard makes it clear his independence dream has not been abandoned, says Bernard Simon

The Centaur Theatre in historic Old Montreal is one of the few places in Quebec where English still appears above French on public signs. It was thus fitting that Mr Lucien Bouchard, the province's premier, came to this landmark of Quebec anglophone culture on Monday evening to try to steady the nerves of English-speaking Québécois.

Mr Bouchard himself accurately described the anxieties that have pervaded the 15 per cent of Québécois whose home language is not French since his secessionist forces came within an ace of winning an independence referendum last October 30.

"Many feel that the unthinkable is now possible and they are convinced that Quebec will soon be sovereign," he said. "Many are preoccupied about their future, individual and collective."

Evidence of those anxieties is not hard to find. The snow-covered lawns of Montreal's English-speaking neighbourhoods are dotted with For Sale signs. The talk at dinner parties is of moving "down the 401," the highway that links Montreal and Toronto. A growing number of English-speaking university students plan to leave Quebec after graduation.

Until the mid-1970s, much of Quebec's economy was in English-speaking hands, with francophone Québécois typically confined to blue-collar jobs and the civil service. Such bastions of English-speaking business as Canadian Pacific and Alcan Aluminium still have their head offices in Montreal. But much has changed since the "quiet revolution", which brought French into the boardrooms and spawned a more assertive strain of Quebec nationalism.

The separatist Parti Québécois, which took office for the first time in 1976, unsettled the anglophone community with Bill 101, which designated French as the province's only official language. Montreal's famous delicatessens could no longer put up English signs. Newcomers found it difficult to enrol their children at English-speaking schools.

The vast majority of anglophone Québécois are now bilingual. "We live side by side," says a judge who attended Mr Bouchard's speech. "But we don't know each other; we don't communicate with each other."

The referendum outcome has not only renewed old anxieties. It has spawned a more radical and outspoken element in the anglophone community.

One especially contentious idea is that English-speaking areas, notably parts of Montreal and the area around Ottawa, should themselves break away if Quebec opts for independence. Some 1,400 people attended a public meeting last month to consider the topic: "If Canada is divisible, then so is Quebec."

The federal government in Ottawa initially encouraged the idea, but pulled back when it threatened to inflame emotions in both the federalist and separatist camps.

Mr Bouchard made some moves to reach out to his audience on Monday. He urged them "to engage in a dialogue", and noted that many of their concerns, such as the quality of healthcare and funding for cash-strapped cultural institutions, were much the same as those of French-speaking Québécois. Several of his ministers were on hand to mingle with the crowd before and after his speech.

Premier fails to steady the nerves of Quebec's English speakers

But the premier also had a more sombre message. He noted that the recent talk of partition "shifts our differences from the democratic plane to another one, one that is much more disturbing".

He left no doubt that the campaign for what anglophones fear most – Quebec independence – would not be abandoned. Forgetting about sovereignty, he said, "would be tantamount to saying: forget about hoping for spring".

Some anglophone leaders have pinned their hopes on Mr Bouchard's reputation as a pragmatic politician. They have been encouraged by his promise to put economic renewal, especially in Montreal, ahead of a renewed drive towards independence for the time being.

But the cool, if polite reception they gave Mr Bouchard on Monday showed that their fears have by no means been allayed. Mr Maurice Podbury, the Centaur's artistic director, said that "agreeing to disagree is a luxury that time will no longer allow".

Republican candidates vie to press for a tougher stance against China as tensions get worse

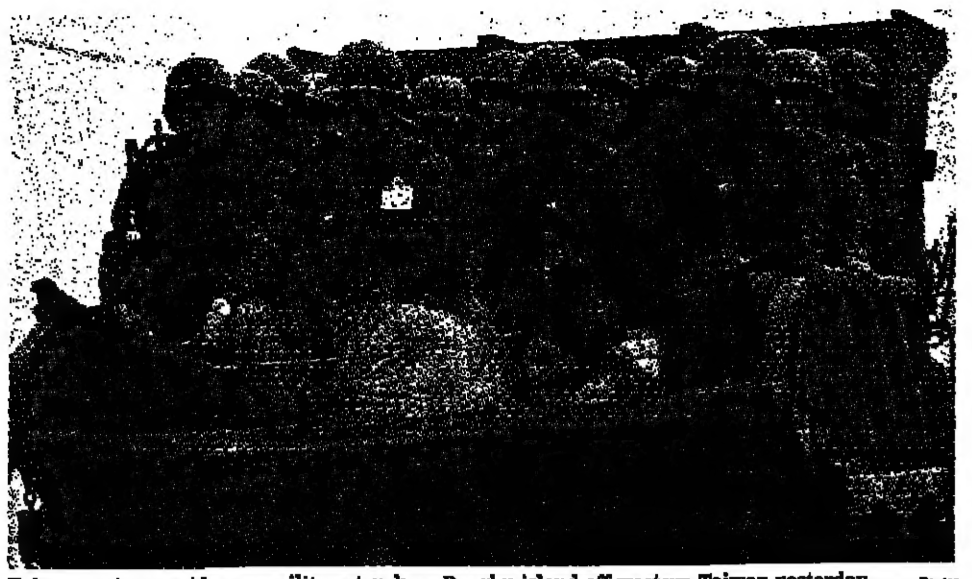
Taiwan row strains US 'ambiguity' doctrine

By Jurek Martin in Washington

The current tension between China and Taiwan in a US election year invites a sense of political *déjà vu*. In the 1960 campaign, it was candidate John F. Kennedy who accused his opponent, then vice-president Richard Nixon, of taking too complacent an attitude towards China's intentions over the islands of Quemoy and Matsu.

This time, the boot is on the other foot. It is the Republican party on the warpath against a Democratic president, Bill Clinton, whom it sees as insufficiently resolute in its dealings with Beijing. Senator Jesse Helms, chairman of the foreign relations committee, rarely lets a day go by without a fax condemning the administration for its softness.

Both Mr Pat Buchanan and Mr Steve Forbes, now trailing badly in their bids for the party's presidential nomination, have come close to suggesting that the US should go to war if Taiwan comes under direct attack.



Taiwanese troops ride on a military truck on Penghu island off western Taiwan yesterday Reuter

Even Senator Bob Dole, presumptive nominee, has dropped some of his traditional foreign policy bipartisanship in urging a tough US stance. In a weekend TV interview, he said "if necessary, we would protect them [the Taiwanese]," though he did not specify how.

For the ideological Mr Buchanan, the mainland remains "communist China", a relic of a failed philosophy, on whose products he would slap punitive tariffs. For Mr Forbes, Taiwan is on its way to becoming an exemplary modern trading state entitled to broader recognition. The views of both find echoes on both left and right of the US Congress.

For the Clinton administration, China would be a problem even if this were not an election year. US relations with Beijing have been fraught for much of the last three years over a succession of difficulties covering trade, human rights and Chinese missile sales.

Yet the US remains reluctant to ditch what its policy-makers call the doctrine of "strategic ambiguity" concerning the extent of its willingness to come to the aid of Taiwan. This was codified into law in the 1979 Taiwan Relations Act in which the US is pledged to help defend the island, but by unspecified means.

The despatch of a second naval carrier group to the Straits of Taiwan this week, according to Mr Nicholas Burns, state department spokesman, "is a signal that we want the situation to return to one of normalcy and stability".

Mr Warren Christopher and Mr William Perry, respectively secretaries of state and defence, and Mr Anthony Lake, national security adviser, have all warned over the last 48 hours of the "grave consequences" for China if it moves militarily against Taiwan.

The enhanced US military presence also appears intended to send a signal to China that isolationism is not yet gripping this country to the point that a withdrawal from Asia is contemplated. "We're there for the long haul," one official commented.

Yet the US also remains committed to a "one China" policy, which assumes the eventual peaceful reunification of the mainland and Taiwan. That also implies minimal US interest in supporting Taiwan's bid for a separate seat at the United Nations, as pressed, to the occasional irritation of US officials, by President Lee Teng-hui.

Until now, criticism of the one China policy has mostly been confined to the predictable quarters of Messrs Buchanan and Helms. The greater risk now, according to Senator Sam Nunn, the Democrat from Georgia, is that "by emphasising military force, China is making it harder for the US to maintain bipartisan support for the policy".

Japanese consider sanctions over nuclear tests

By Peter Montagnon in Tokyo

The Japanese government fears China may carry out a further underground nuclear test in the next few months, severely exacerbating bilateral tensions and prompting pressure for tougher sanctions. Japan curtailed grant aid after a similar test last May.

While those sanctions affected only $88m (£58m) in aid for medical, educational and humanitarian projects, this time the massive subsidised credits which Japan provides for Chinese infrastructure projects could be cut. China receives some $2bn in such credits a year.

"We certainly hope the Chinese will not conduct any further tests," Mr Yukihiko Ikeda, foreign minister, said this week. "We have already told them that criticism against Japanese loans for the purpose of assisting China would increase."

Mr Ikeda did not comment on the likelihood that China would undertake a further test, but his public statement is a sign that Japan is taking the possibility seriously.

Japan cut grant aid after last year's test, except for emergency disaster relief, but had wanted to keep subsidised loans flowing because "Japan's fundamental policy is to support China's open-door and economic reform policy," Mr Ikeda said.

That would be much harder in the event of further testing which would produce a strong reaction from a fiercely anti-nuclear public, adding to concern over China's exercises off Taiwan. "The favourable feeling towards China has evaporated so quickly," said one senior official.

Officials say they do not expect a test to occur before Mr Qian Qichen, China's foreign minister, visits Japan in early April. May would be a more likely month, they said, adding that freezing temperatures at the test site in northern China mean testing is impossible during the winter.

One concern among Japanese Defence Agency officials is a shift in China's public language on testing. China had been saying that it would halt all nuclear testing when the international community had agreed a new comprehensive test ban treaty, expected this year.

Now it says it has the right to carry out such tests until the treaty is ratified by signatories and comes into force.

Capital inflows push Thais into policy dilemma

With Thailand's current account deficit standing at as much as 8.1 per cent of gross domestic product, the country's economic officials should arguably be concerned primarily about maintaining the strong pace of capital inflows needed to finance that deficit.

In fact, the opposite is true. Thailand's big economic management worry at the moment is not how to attract foreign capital, but how to discourage it.

Thailand needs to bring down inflation and slow its economy, yet record capital inflows, totalling Bt90bn (£2.3bn) in January (three-quarters of which came in via short-term deposits), are making this job difficult and have pushed financial authorities into a serious policy dilemma.

The announcement this week of yet another possible round of administrative measures designed to slow the inflow of hot money, increasing reserve requirements on non-resident accounts, or taxing currency swaps, is a sign the dilemma has not been resolved.

Signs are growing that internal disputes within the politically vulnerable central bank are hindering the institution's ability to engineer a soft landing for the Thai economy.

Monetary policy is caught in a vicious circle. High interest rates, needed to put a damper on inflation, are luring short-term money to Thailand and creating excess liquidity in the banking system. Lowering rates would spur economic growth and thus worsen the current account.

Nor does fiscal policy provide a way out. The government already expects to run a budget surplus equal to 2.5 per cent of GDP in 1996, and political pressure to spend on much-needed infrastructure, especially on projects marking this year's golden jubilee of King Bhumibol Adulyadej, is high.

Sterilising the inflows, which the central bank already plans to do by issuing up to Bt30bn in government bonds, cannot be pushed too far, lest even more speculative capital be lured into government-backed securities.

This happened to neighbouring Malaysia from 1992 to 1994 and culminated in the imposition of capital controls.

Meanwhile, letting the baht appreciate by introducing some flexibility into a currency basket that effectively pegs the currency to the US dollar has been ruled out.

In addition to hurting export competitiveness, which could drive up the current account deficit, a fluctuating currency would introduce uncertainty into an already tense market.

"Currency flexibility would solve all their problems," says Mr Neil Sakar, senior economist with Crosby Securities in Singapore. "But a stable currency is such a cornerstone of overall economic policy that it won't be abandoned."

So the only tools left are administrative. Tough measures being considered include the introduction of hedging requirements on all foreign exchange transactions or requiring that capital entering Thailand remain in the country for a certain time. But innovations such as these are unlikely because the credibility of the Finance Ministry and the central bank is being questioned.

This comes in the wake of moves to sack former Deputy Governor Ekamol Khiriwat, allegedly lax supervision of the politically connected but ailing Bangkok Bank of Commerce, and problems in recent months with the compilation and forecasting of economic data, one senior official claims.

In the Thai context, institutional credibility is of paramount importance. Many of the central bank's objectives, such as limits on credit growth, are pursued not through new regulations but via "voluntary" guidelines and moral suasion.

If the central bank is unable to take the moral high ground, this suasion can be ignored. "Everyone is on the defensive, worried about their position," the official says.

"No one is arguing for moves based just on economics. Politics is a very big concern."

Ted Bardacke

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

	Provisional Prices for Trading on 11.03.96	Firm Prices for Trading on 14.02.96	
1/2 hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh
0030	12.30	10.26	10.26
0100	10.20	12.87	13.56
0130	15.50	17.58	18.27
0200	15.50	17.58	18.27
0230	15.50	13.59	14.28
0300	15.50	13.59	14.28
0330	15.50	13.59	14.28
0400	12.30	10.26	10.26
0430	9.80	10.11	10.11
0500	9.78	10.11	10.11
0530	9.78	12.38	13.05
0600	9.81	9.11	9.11
0630	9.89	9.10	9.10
0700	15.33	19.07	19.81
0730	20.69	21.30	22.06
0800	26.67	21.89	22.54
0830	34.50	22.01	22.94
0900	46.50	23.29	24.33
0930	64.71	28.45	29.55
1000	57.87	28.52	29.63
1030	54.26	28.20	29.24
1100	52.57	25.28	26.27
1130	56.84	25.22	26.21
1200	63.41	23.12	24.12
1230	62.11	21.11	22.07
1300	52.53	20.58	21.58
1330	39.51	20.05	20.89
1400	32.07	19.86	20.65
1430	29.07	19.15	19.90
1500	27.65	19.06	19.78
1530	27.78	19.06	19.82
1600	41.10	19.46	20.29
1630	56.08	24.63	26.21
1700	63.60	38.42	40.54
1730	67.08	78.91	85.41
1800	81.69	91.65	101.84
1830	85.03	95.12	104.05
1900	112.69	66.16	71.80
1930	111.65	34.70	37.37
2000	69.39	25.66	26.86
2030	31.42	21.00	21.81
2100	20.73	19.69	19.41
2130	14.24	15.48	16.17
2200	10.01	15.21	15.90
2230	9.79	14.97	15.66
2300	9.80	12.38	13.06
2330	9.88	9.11	9.11
2400	9.62	9.10	9.10

Prices are determined for every half-hour in each twenty four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £76.30/MWh becomes 7.63p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0115 945 6789 between 8:30am and 5:00pm Monday to Friday.
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Canberra prepares cuts to reach fiscal balance

By Nikki Tait in Sydney

Australia aims at fiscal balance by 1997-98, a year later than planned under the ousted Labor government, after figures released yesterday by the new Liberal-National ruling coalition showed it faced an underlying federal budget deficit of A$7.64bn (£3.85bn) in the 1996-97 financial year.

The treasury estimate of the deficit is struck before asset sale proceeds, and before spending pledges made during the election campaign. The figure contrasts sharply with the small surplus predicted by Mr Ralph Willis, then federal treasurer, in last May's budget speech.

Mr Peter Costello, his successor, said the government planned to redress the balance by taking A$4bn out of the budget in 1996-97 and a similar amount in the next year, "overwhelmingly through expenditure reductions".

He refused to be drawn on where the cuts would come from, but pointed to a new "expenditure review committee", to be headed by Mr John Howard, the prime minister, which will scrutinise budgetary outlays, and a new national audit commission. This will look at how government could manage spending more efficiently, and has been asked to report by June 19.

Mr Costello admitted the coalition had considered a May mini-budget, but decided to stick to the August one. He affirmed the coalition's commitment to campaign pledges, including no new or higher taxes, no cut in federal grants to the states, and new spending measures costed at A$6.3bn over the three-year parliamentary term. The coalition had announced offsetting measures to fund these, but these are moneys otherwise going to deal with the existing deficit.

The treasury's assumed growth rate is now 3.25 per cent for both 1995-96 and 1996-97 (against 3.75 per cent previously). This, plus loss of some budget revenue measures in parliament's upper house last year, means revenues will be A$4.4bn lower than in the May estimate.

Outlays will also be A$3.9bn higher, with unemployment payments revised upwards by A$1.4bn, and policy decisions costing A$600m since the budget. Those post-budget pledges not specifically endorsed by the coalition during the campaign would be frozen, Mr Costello said.

The new deficit estimate lies at the higher end of private-sector forecasts; most economists had assumed a surplus was no longer possible; their deficit predictions had ranged between A$3bn and A$9bn.

Financial markets, already hit by uncertainty, and buffeted on Monday by the fallout from Wall Street's plunge, reacted fairly calmly. Bond yields dipped when the deficit figure was published, but then rallied.

Mr Willis claimed release of the revised estimates was a political "stunt" designed to pave the way for "savage" spending cuts. Labor argued fresh forward estimates months ahead of the budget would be misleading, since they would almost certainly be revised.

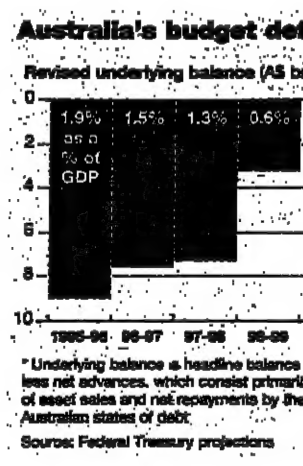
"By publishing a revised estimate of the outcome of next year's budget six months before that budget is finalised, Mr Howard is using for political purposes figures he once described as notoriously unreliable," Mr Costello said.

For the current 1995-96 financial year, the treasury's estimates now suggest a "headline" deficit of A$280m, slightly worse than the A$115m surplus indicated in December's mid-year review. The underlying deficit is put at over A$9bn, or about 2 per cent of gross domestic product, roughly in line with predictions.

The latest treasury estimates assume the government's remaining 50.4 per cent interest in the Commonwealth Bank group will be sold in the current financial year, as planned by Labor. Analysts think this optimistic. Mr Costello said only that the sale process was under way, but some negotiations were needed with the bank board.

CBA has talked about buying back part of the government stake, in conjunction with the stock market sale of the remaining shares. The stake overall is worth around A$4bn.

Australia's budget deficit: outlook to 1998-99



* Underlying balance is headline balance less net advances, which consist primarily of asset sales and net repayments by the Australian states of debt

Source: Federal Treasury projections

Treasurer Peter Costello: government still aims to achieve a fiscal balance

Hashimoto's honeymoon is over, say polls

By William Dawkins in Tokyo

The political honeymoon of Mr Ryutaro Hashimoto, the right-wing trade hawk who became Japanese prime minister in January, ended yesterday with a sharp decline in opinion poll ratings.

A survey by the centre-left Asahi Shimbun newspaper showed that support for Mr Hashimoto's cabinet had fallen to 36 per cent from 61 per cent just after taking office, when he was the most popular LDP prime minister for nearly 25 years. Another poll in the Nihon Keizai Shimbun economic daily showed a drop of the same order, from 54 per cent to just under 37 per cent.

The decline reflects popular disgust with a government plan to use public money to bail out depositors in bankrupt *jusen* housing loan companies, said both newspapers.

Political analysts believe that the fall in support might influence the ruling Liberal Democratic party to try to delay a general election for as long as possible before the legal deadline of July 1997. For foreign investors in Japan, that would mean a continued cautious official stance on economic deregulation, by comparison with the slightly faster pace of reform advocated by the opposition New Frontier party.

More than two-thirds of those polled by the Nihon Keizai Shimbun said the government should concentrate on resolving Japan's economic problems and set aside thoughts of an election for the time being.

According to yesterday's surveys, between a quarter and a half of the public want the government to drop the Y685bn (£4.24bn) proposed public subsidy for the *jusen* liquidation. However, Japan's electorate is also critical of the NFP's nine-day blockade of parliament, holding up progress on this year's budget, which contains the *jusen* subsidy plan. Nearly two-thirds of those surveyed by the Asahi opposed the sit-in.

Moreover, the NFP has failed to pick up all but a small portion of the support lost by the government, yesterday's polls indicate. The opposition's support rating has risen from a mere 9 per cent in January to just 14 per cent, said the Asahi.

This will be noted with interest by the growing number of LDP politicians who believe Mr Hashimoto should ignore the opposition's sit-in and submit the budget to a vote in parliament, where the government coalition has a majority in both houses. Such a step would be a break with usual legislative practice of seeking to appease the opposition with the aim of making a vote unnecessary.

Yesterday's polls indicate that the government may lose votes in an important by-election on March 24 in the light industrial region of Gifu, a LDP stronghold in central Japan. Mr Hashimoto has accepted that the *jusen* will be a central issue in the Gifu poll. There, the LDP will be represented by Mrs Tsuyako One, the widow of the LDP politician whose death left an upper house seat vacant. Her main rival is Mr Tetsuo Yoshioka for the NFP, a former air force officer.

Riots hit second mining town in Irian Jaya

By Manuela Saragosa in Jakarta and Kenneth Gooding in London

Rioting spread to another mining town in Irian Jaya, Indonesia, yesterday after disturbances which this week temporarily closed the Grasberg mine, one of the world's biggest copper and gold producers.

Yesterday's disturbances were in Timika, where rioting Irianese broke windows and damaged equipment at an environmental laboratory owned by Freeport-McMoRan Copper & Gold, which operates Grasberg.

Freeport denied reports that some people had died in the rioting, that one of its oil dumps had been set ablaze and that buildings had been burned. Also, Freeport insisted Timika's airport remained open despite suggestions that it had been badly damaged and would be closed for some days.

It hoped to start mining again shortly and said the shipping of concentrate, an intermediate material containing copper and gold, from the local port had continued.

Tembagapura, the Freeport mining town close to Grasberg where the disturbances started on Sunday, was quiet last night, Freeport said.

The rioting was reportedly sparked off when relatives of a local resident, hit by a car driven by an employee from another mining company in the region, were prevented from visiting the victim in the local hospital. The Indonesian military sent in extra troops to deal with the rioting after the police lost control.

The riots are evidence of the continued tension in the area between Irianese, Indonesians from other parts of the archipelago, and commercial operations in the region. Those familiar with the area say discontent among the local population has focused on a perceived lack of benefits from Freeport's mine to the local community, the social impact of the mine's presence and environmental concerns.

The events are another blow to Freeport, which has been under regular fire from non-governmental organisations not only for environmental reasons but also for its alleged involvement in military human rights abuses in the region.

Freeport maintains it is not involved in any of the human rights violations, a position which appears to have been accepted by Bishop HFM Munninghoff, the Catholic Church representative in Irian Jaya, who had made some of the initial accusations.

But to other critics, Freeport's position in the area remains controversial because, as a virtual civil administrator for the region, its daily operations inevitably involve close contact with the military. As a result, Freeport is closely identified with the armed forces in the eyes of the local population.

Last month an Irian Jaya military tribunal jailed an army officer and three soldiers for between one and three years for numerous cases of killings and torture in and around the Freeport mines.

Political sensitivities in the area are compounded by the fact that Irian Jaya has its own independence movements, the most prominent of which is the Free Papua Movement known as the OPM. The OPM wants to secede from Indonesia but the organisation is believed not to be well armed. Its supporters have been holding 12 hostages, including Britons and Dutch, in the Irian jungle for more than two months to draw attention to its separatist cause.

There has also been friction caused by the trade-off between development and the environment. Some 19 environmental organisations at a biodiversity conference in Jakarta last year said the company was guilty of "massively altering the landscape, irreparably damaging the rich biodiversity of the area and harming the health and sustenance of local indigenous communities".

Before 1967, when Freeport started mining, there was virtually no development in the region and the area's tribes had minimal contact with the outside world.

Freeport's argument is that it has bought schools and hospitals to the region. Critics argue that the local tribes were not given much choice in the matter.

Loyalist leaders give retaliation warning

By John Kampfner in London and John Murray Brown in Dublin

The British and Irish governments last night faced the prospect of a serious escalation in paramilitary violence as loyalist leaders warned the IRA they would retaliate to each bombing "blow for blow".

Security chiefs in London and Dublin have feared that the IRA's decision to end its ceasefire a month ago, by setting off a spate of bombs in London, would force Protestant paramilitaries to respond in kind.

The IRA confirmed that it was responsible for a device planted near a cemetery in the west of London early last Saturday – the third explosion in London in as many weeks. Three people have so far died, although no-one was injured in the latest attack.

The IRA admission was likely to put further pressure on Mr Gerry Adams, Sinn Féin president, who left yesterday for the United States. The Clinton administration has forcefully condemned the resumption of IRA violence.

In contrast to previous visits, Mr Adams will not be allowed to raise funds and has not been invited to St Patrick's White House celebrations on Friday. For the first time Unionist leaders will attend.

The loyalist statement, which was a response to a warning by the IRA last week that it was prepared for 25 years of armed struggle, was made as the British government prepared to consider which form of mechanism should be put in place for Northern Ireland elections.

Talks with the parties end today with no sign that the Ulster Unionists, the Democratic Unionists and the nationalist SDLP – the three main constitutional parties – have narrowed their differences.

In its statement released in Belfast, the Combined Loyalist Military Command said: "We have withstood the recent provocation of IRA bombs on the mainland which have killed our innocent British fellow citizens. These atrocities cannot be permitted to continue without a telling response from this source."

It added: "We are poised and ready to strike to effect. We will give blow for blow. As in the past, whatever the cost, we will gladly pay it."

British and Irish government ministers have been at pains to praise the loyalists for showing restraint so far. However, there are fears that, in the event of a resumption of violence, the loyalists might mirror IRA tactics in London by targetting prestige sites in Dublin.

The Irish capital was on increased alert last night. Security has been tightened around a number of important locations, among them the Financial Services Centre. A garda official said security measures were under constant review.

The loyalist statement called on Sinn Féin and the IRA to think again. "Now is the time to draw back from the brink," it said. "We all have had hard decisions to make in the cause of peace. The IRA and Sinn Fein must now choose and choose well."

Subsidy for Ulster power company

By John Murray Brown in Dublin

The British government yesterday announced details of a £16m subsidy – the first tranche of a £60m ($92m) programme over three years – to offset the rise in electricity prices in Northern Ireland, which are about 23 per cent higher than the UK average.

The subsidy will be paid to Northern Ireland Electricity to reduce tariffs by about 3 per cent, bringing the current electricity price rise down to about 2.3 per cent for 1996-97.

The move was cautiously welcomed by Offer, the Northern Ireland electricity regulator, and follows a report by MPs last December which was critical of NIE, the privatised utility which is the province's power distributor and biggest company.

The local electricity users' committee said, however, that "temporary subsidies from taxpayers will not solve our price problems".

Northern Ireland has four power stations, the biggest owned by British Gas.

When the industry was privatised in 1991 the generators were given inflation-proofed contracts with NIE to April 1997.

Isolation from the UK, the small size of the market and the need to have a number of generating sets, which reduces the scope for economies of scale, has seen the gap between prices in the province and the rest of UK widen following privatisation.

Northern Ireland, unlike other UK regions, has not benefited from the scrapping of the nuclear levy after the government's decision to privatise the nuclear industry.

Baroness Denton, the Northern Ireland economy minister, said when unveiling the initiative: "The new programme shows what can be achieved through public and private sector co-operation."

Northern Ireland has 2,200 MW of generating capacity and a peak demand of just 1,500 MW in the middle of winter. NIE hopes to even out distribution imbalances by restoring the interconnector with the Irish Republic – which was blown up by the IRA in the 1970s – and building a link to the UK.

NIE is waiting for approval for an £180m interconnector with Scottish Power, which is facing a public inquiry.

Irish trade boom reaps peace dividend

By John Murray Brown in Dublin

The Republic of Ireland last year overtook Italy to become the UK's sixth most important trade partner, in further evidence of the business impact of the Northern Ireland peace process.

Two-way trade was up 15 per cent to £14.5bn last year, according to the latest UK figures. Trade was almost in balance in 1994, but moved back in the UK's favour last year.

The results reflect the growing attractions for UK business of the Irish market, where gross national product grew at an estimated 6.75 per cent last year, the fastest in the European Union. The figures underline the continuing importance for the Irish Republic of the British market, in spite of the recent appreciation of the Irish pound against sterling.

This week, as Irish punters flock to Cheltenham for the races, and corporate sponsors brace themselves for the England versus Ireland rugby international at Twickenham, the republic's trade links with the UK look stronger than ever.

The Irish Republic is the UK's biggest market for clothing, footwear and building materials – and only France buys more food from the UK.

Trade winds: As Cheltenham racecourse awaited the influx of Irish punters yesterday, winds damaged the Guinness hospitality area

Irish companies are starting to target the 830,000 Irish-born residents in the UK. Trade officials point to the arrival of the "shibeen" pub concept in the UK, the launch this summer of Tara, a privately run cable television channel to beam RTE Irish programmes, as well as the recent move by Mr Tony O'Reilly, the Irish businessman, to print the Irish Independent in the UK for the first time.

Referring to this Irish identity, Mr Pat Maher of the Irish Trade Board in London said: "It used to be the last thing an Irish company wanted to admit to. But now the marketing people say you've got a niche."

The UK historically was Ireland's most important market, having been part of a currency union from 1823 until 1979, when the UK left the European Monetary System.

Ireland's big foreign-owned multinational sector accounts for 80 per cent of Irish exports of I£26bn – 25 per cent going to the UK. But if Ireland's indigenous companies, traditionally in the labour-intensive food-based industries, are taken alone, the UK accounts for 40 per cent of Irish shipments.

In part for historical reasons, and to emphasise a growing European identity, it has suited the Irish authorities to play down the UK connection. One Irish trade official said: "It's always much sexier to do promotions like Opportunity Europe."

Certainly the profit margins of the UK-oriented export sector have been hit by the appreciation of the Irish pound against sterling. But the tensions are likely to be exacerbated as the date for European monetary union approaches, with Dublin concerned that the UK may decide to stay outside.

Airports show rise in passenger numbers

By Michael Cassell, Business Correspondent

Airports in the UK experienced a big rise in passenger traffic in February, compared with February last year, providing continuing indications of high levels of economic activity.

Figures released yesterday by BAA show that the seven airports under its control handled 6.2m passengers last month. Although the total was slightly down from January it was, however, just over 12 per cent higher than in the same month last year.

BAA said that about 4 per cent of last month's traffic increase was accounted for by the additional day involved in a leap year. Even so, most big airline markets continued to experience significant growth.

British Airways – the UK's flagship carrier – said last week that its passenger traffic rose by more than 13 per cent last month compared with the same month last year.

The biggest growth in traffic last month took place on north Atlantic routes, where the number of passengers rose 20 per cent compared with a year earlier. Passenger numbers on all long haul routes out of the UK increased by 17.5 per cent.

Stansted achieved the highest growth in passenger traffic last month, with an increase of more than 42 per cent from February last year.

The airport's growing popularity meant that, for the first time, it has handled than 4m passengers in a 12-month period. The total still remains comparatively small, however. Last year Heathrow handled 54m passengers.

Gatwick airport recorded a 16 per cent rise in passenger traffic last month while Edinburgh achieved a 20 per cent rise. Heathrow saw passenger traffic increase by 9 per cent compared with February last year.

BAA also reported that the total number of air transport movements – including passenger and cargo aircraft – rose 9.5 per cent in February compared with the same period a year ago. The biggest increases were recorded at Stansted, Gatwick and Edinburgh.

UK NEWS DIGEST

Virgin and BA settle in UK

British Airways said yesterday that it had settled its alleged "dirty tricks" case with Virgin Atlantic in the UK, with Virgin agreeing to pay BA a net £133,000 ($203,490). The two sides said last year that they would each pay a proportion of the other's costs. After deducting a percentage of its own costs, Virgin will pay BA £398,000 plus interest. The two airlines announced last year that they had settled the UK part of their case, with BA agreeing to pay Virgin damages of £265,000. This leaves Virgin paying £133,000. Virgin said the costs were far lower than the £750,000 that BA estimated last year.

Among the allegations Virgin made was that BA gained unauthorised access to its computers.

In 1993, BA paid Mr Richard Branson, Virgin's chairman, £610,000 in libel damages. BA had claimed that Mr Branson had used the allegations for publicity purposes.

Virgin is still suing BA in the US. Mr Robert Ayling, the BA chief executive, said he did not believe this action would come to court for at least two years. Virgin said last night that it expected the first hearing in its US case to take place this year. *Michael Skapinker, London*

Aide says she respected Nadir

Mrs Elizabeth Forsyth, an aide to Mr Asil Nadir, had no reason to doubt the honesty of the former Polly Peck chairman, she told an Old Bailey jury yesterday. Giving evidence at her trial, Mrs Forsyth said she got on "very well" with Mr Nadir. "I respected his business acumen. He was a workaholic. His only interest was his company Polly Peck," she said.

Mrs Forsyth, who looked after Mr Nadir's personal financial affairs, denies two charges alleging she handled £400,000 stolen by Mr Nadir from Polly Peck. Earlier, Mr Geoffrey Robertson QC, her counsel, said Mrs Forsyth knew "absolutely nothing" of the origin of the money when she transferred it through a series of banks in London and Switzerland. The trial continues today. *John Mason, Law Courts Correspondent*

Banks keen on chip cards

British bankers are determined to press ahead with plans for installing electronic chips on their payment and credit cards, even if declining losses from fraud have reduced the potential gains to be reaped from improved security.

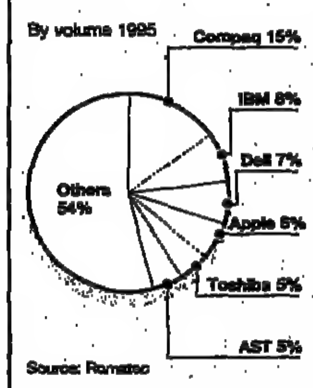
Losses from the fraudulent use of plastic cards fell last year for the third year in a row, dipping 14 per cent to £83.3m – half the level recorded in 1992 – according to the Association for Payment Clearing Services, the industry grouping.

But efforts are continuing on the development of a standard chip card, which could make cards more difficult to counterfeit and provide more secure methods than a signature for verifying the cardholder's indentity. *George Graham*

Computer market up 21%

PC sales

By volume 1995



Source: Romtec

The UK market for personal computers grew by 21 per cent to more than 2.5m machines last year and the value of PC shipments rose by 24 per cent to more than £4.5bn, according to Romtec, the market research company based in Maidenhead, Berkshire. Romtec's market monitoring service says that the growth in sales was a crucial factor affecting three specific aspects of PC sales last year. Machines based on Intel's Pentium microprocessor took 34 per cent of the market, up from just 4 per cent a year earlier. Multimedia machines accounted for 19 per cent of sales, up from 5 per cent in 1994, and retail shipments grew by 38 per cent, accounting for 14 per cent of all PC sales. In contrast, PCs sold direct claimed 33 per cent of total sales volume, down three points from the previous year, suggesting the sales boom of the early 1990s might be over. Compaq, the world's biggest PC maker, took the biggest slice with a 15 per cent share, followed by IBM with 8 per cent. *Paul Taylor*

Britain's slowness to cut size of fishing fleet attacked

By Alison Maitland

The UK is lagging behind other EU member states in cutting the size of its fishing fleet and will have to catch up, Ms Emma Bonino, the European fisheries commissioner, said yesterday.

In comments likely to fan Euro-sceptic anger over the Common Fisheries Policy, Ms Bonino defended the status quo. "Personally I think the fisheries policy is a Community policy and we shouldn't temper with it," she said.

The government's white paper says that the policy has been unevenly enforced, is inequitable and has failed to curb overfishing. Britain will seek treaty changes to the policy if needed, it says.

Ms Bonino backed the European Court's ruling last week that Britain must pay damages of up to £30m ($45.9m) to Spanish fishermen banned from UK waters in 1989 to stop them gaining access to British quotas.

She said: "The ruling is positive. It says that any citizen who is the victim of discrimination with regard to Community law has a right to compensation."

The commissioner, who is due to meet fishermen in Scotland and south-west England this weekend, said Britain was well behind the target of a 19 per cent fleet reduction which it was meant to achieve by the end of this year as part of EU-wide cuts in fishing capacity.

As a result, it was losing out on its share of Ecu1.34bn from the European Commission for restructuring and modernising member states' fleets.

Speaking at a press conference transmitted by satellite across the EU, she said British failure to reach the target by the end of the year could lead the Commission to start infringement procedures. This would involve the Commission demanding an explanation from the government and taking the UK to the European Court if it was not satisfied.

The Ministry of Agriculture, Fisheries and Food confirmed that fleet capacity had been cut by only 7 per cent, compared with the 19 per cent cut required between 1992 and the end of this year.

About 20,000 tonnes worth of fishing vessel capacity remains to be cut by the end of this year of the original target of 35,000 tonnes.

The ministry blamed the problem on fishermen's success in blocking the government's attempt two years ago to introduce limits on the amount of time they could spend at sea. However, Britain, Ireland, Belgium and the Netherlands also failed to reduce capacity in earlier rounds, adding to the amount they are now having to cut.

Ms Bonino said a fifth round of cuts would be introduced at the end of this year running to the end of 1999. She admitted the new targets would cause "social and economic hardship" but said cuts were needed because fish stocks were in "a very poor state."

IGC paper 'defends British interests'

By John Kampfner, Chief Political Correspondent

A Partnership of Nations, the white paper for which Euro-sceptics fought so hard, epitomises the attempts by Mr John Major, the prime minister to straddle his party's divide on Europe.

The 38-page booklet setting out the government's approach to the intergovernmental conference, which begins at the end of the month, mixes praise for the EU's achievements with warnings about its powers.

The most contentious issue – the plan for a single currency by 1999 – is not mentioned. This, the government argues, is because it is not a subject for discussion at the IGC.

The essential message of the white paper is that the benefits of EU membership greatly outweigh the disadvantages as long as the bedrock is the nation state rather than any supra-national institution.

The document identifies the main areas in need of reform:

● Legislative process. The European Commission, it says, has cut down the number of proposals for primary legislation. At the same time, the UK government will seek further means of entrenching subsidiarity – that Brussels should act only in cases when national governments cannot – into decision-making

● Qualified majority voting. The paper states "there is no question of weakening of this national safeguard", making clear the government will fight any further erosion of the principle of unanimity. It concedes that changes in arrangements for majority voting will have to be discussed in the light of enlargement of the Union. The government believes the larger four states – the UK, France, Germany and Italy – are underrepresented in the present voting system, and that the imbalance will worsen once more small nations join

● Presidency. The government sees some attraction in the idea of three or four member states sharing the presidency of the union for a year at a time in an enlarged union.

● Commissioners. The government suggests there might be a two-tier commission following enlargement, with larger states have voting members, and smaller states non-voting ones.

● European Parliament. Some of the strongest criticisms are reserved for the Strasbourg legislature, which the paper says "still lacks popular respect and affection". It suggests the parliament might do better if it focused on "monitoring and restraining Community spending" and helping to fight fraud. It adds: "The government does not feel that the Euoprean Parliament needs new powers. Nor do we accept, in a Union of nation states, that the European Parliament can displace the primary role of national parliaments."

● European Court of Justice. On the day the government lost the first round of its challenge on a Euro-directive setting out the right to a maximum 48-hour week, criticism of the court in the white paper appears mild. It notes that the UK was referred to the court on average five times less often than its neighbours. It adds: "The ECJ safeguards all member states by ensuring that partners meet their community obligations." However, several reforms are proposed.

● Common foreign and security policy. The paper records the successful instances of a combined approach, as towards the former Communist states of eastern Europe and the Middle East. But it stresses such an approach "can never be an exclusive policy which would replace national foreign policy. Where specific British interests are at stake we shall insist upon retaining our freedom of action." Nato remains the keystone of European security

● Employment. "It is no secret that other member states wish to see the UK's social chapter opt out removed at the IGC", the paper states. It sets out what the government sees as the benefits to business competitiveness of going it alone on employment rights, and concludes: "The UK will not give up its opt-out and cannot be forced to do so."

The paper concludes that the government's approach to the IGC will be "constructive, realistic and rooted in the British national interest".

The mildly Euro-sceptical hard-line UK government white paper on Europe increases the chances of a stalemate in the coming intergovernmental conference and could lead to a political crisis later this year, according to senior diplomats in Brussels, *Lionel Barber writes.*

Despite British protestations, the sentiment among EU countries is that Mr John Major has left himself virtually no room for compromise at the IGC, in particular his opposition to more majority voting.

Other potential flashpoints include Britain's objection to more powers to the European Parliament; its reluctance to countenance more efficient co-operation on justice and home affairs; and its refusal to incorporate the social chapter on EU employment rights into the new treaty.

In the event of a collision this autumn, one option being canvassed in Brussels is to suspend IGC negotiations until after the UK general election which must take place by May 1997.

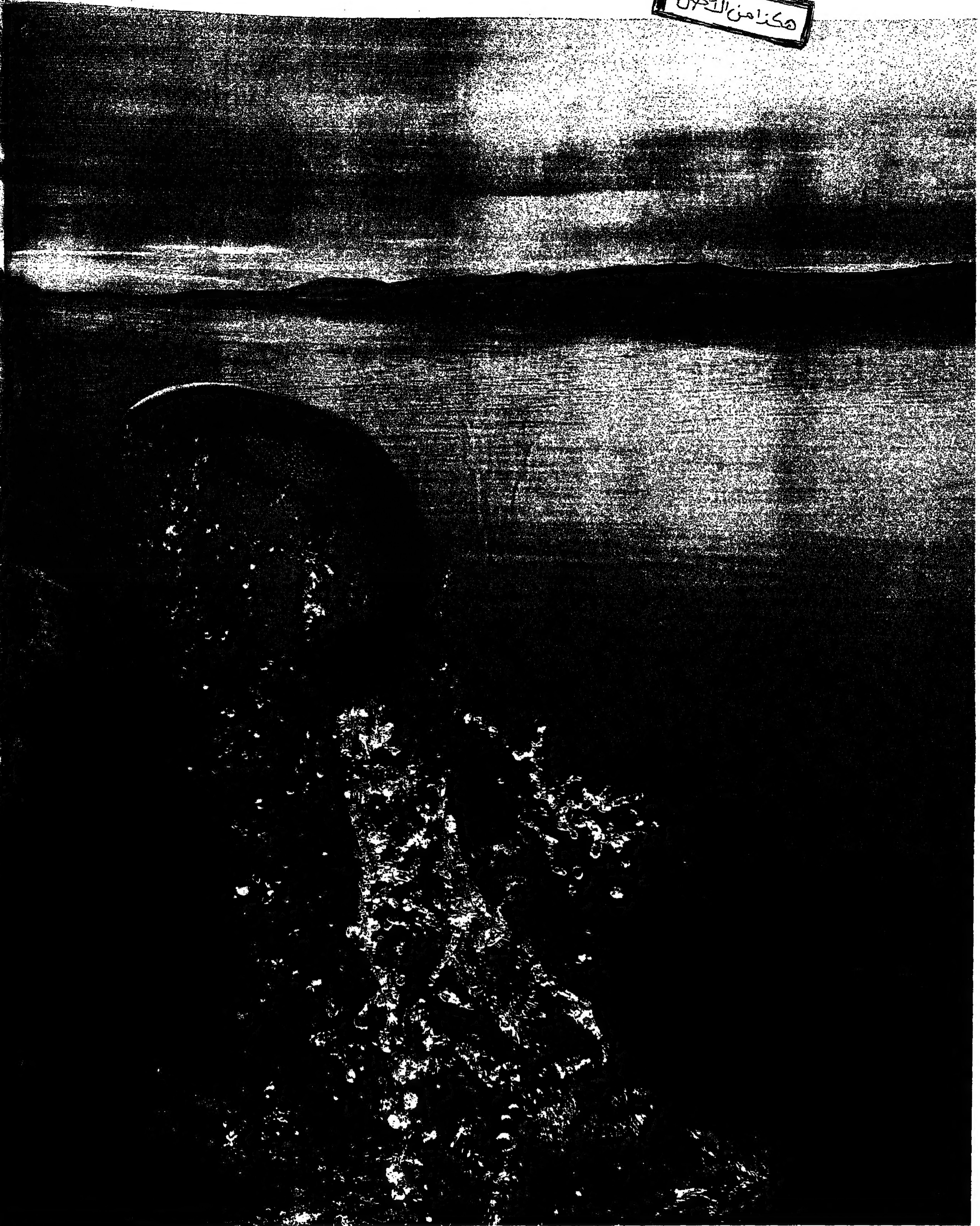
The second option is to force Mr Major's government to confront the possibility that a group of member states will move ahead on closer political integration without the UK, said a senior EU diplomat.

The drawback is that this could alienate countries such as Denmark, Greece, and Spain which are more sympathetic to Britain's tendency to go it alone, and are reluctant to countenance the formation of an exclusive "hard core".

The third, most likely option is to "tough out" the IGC and wait for a more amenable UK administration. "The Major government is a hopeless case, a bit like a dying patient in a hospital who you might as well give as much booze and cigarettes as he wants," said one Brussels diplomat.

Not all is gloom for the British. The Major government's arguments in favour of a "partnership of nations" will find an echo in Gaullist France. So too, the hostility towards increasing the powers of the European Parliament in "co-decision-making" with the Council of Ministers and the European Commission.

THE COMBINED STRENGTHS
OF FORTIS



doing so, feeding enthusiasm for further velopment.

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Common agenda

Bill Clinton and Tony Blair have just issued green documents with a similar hue, writes **Leyla Boulton**

Two documents issued recently on either side of the Atlantic – by Tony Blair, the British Labour party leader, and by President Bill Clinton's Council for Sustainable Development – have a similarly green hue to them.

The first is a pre-electoral speech made last month on what Labour would do for the environment if it comes to power. The second, a strategy for the pursuit of environmentally-sustainable development into the next century, was approved by the US president last week. Their common premise is that "greener" can mean "richer": environmental protection is fully compatible with a thriving economy and social justice.

Despite the Labour leadership's habit of seeking advice from US Democrats on how to get elected, Frank Dobson, Labour's spokesman on the environment, says any similarities between the two programmes are "purely coincidental".

The "green" vote in both countries, however, makes it perfectly sensible for Labour and the Democrats to position themselves as the environmentally-friendly party in elections due this year in the US and by spring 1997 in Britain.

Environmentally-sustainable development is a notion to which both President Clinton's current administration and the Conservative government in Britain have already subscribed in theory.

But while skirting around potential problems, both Labour and the Council, which includes four Clinton cabinet members as well as businessmen and environmentalists, have sought to take it forward in practice.

The common features of their new programmes for sustainable development are:

● A stress on social justice – or, as the more cautious US report puts it, equity in pursuing environmental improvements.

According to the US report, "sustainable development can remain remote and theoretical unless it is linked to people's day-to-day lives and seen as relevant to fundamental needs such as jobs, clean air and water and education". Like Labour, the president's Council goes on to stress the benefits of local community action to solve environmental problems. It also details how a number of such projects have worked in the past and suggests ways of stimulating them in future.

But it avoids specific Labour-style commitments on how environmental justice can create the economic benefits that Blair says are necessary to "take people with" the environmentalist cause. Eager to distance himself from Labour's traditional fears that the environment is bad for employment, Blair promises to create up to 50,000 jobs through a programme to promote energy efficiency in the home. He does not say how this will be financed although Dobson suggests funding from a future windfall tax on electricity companies.

As the multitude of examples given in both documents suggests – from British towns' schemes to reduce car use to Oregon's attempts to devise new environmental indicators – local initiatives can be far more effective in creating environmental benefits than central planning.

● Greater use of market instruments to further environmental goals.

Both parties hide behind the concept of market instruments – incorporating such concepts as tradeable pollution permits, which already exist in the US and are being explored in the UK – to avoid specific recommendations on the thorniest issue of all, eco-taxation.

The president's Council recommends reforming taxation in order to discourage pollution and waste, as well as reviewing environmentally-harmful subsidies. But it says the Council has reached "no consensus on specific policy options". David Buzzelli, the Dow Chemical vice-president who co-chairs the Council, acknowledged the delicacy of the issue when he said that "making a statement linking taxation and pollution, signed by business leaders and members of the cabinet in an election year, is already impressive".

Taxation of pollution is seen by many economists as one of the most effective ways of reducing noxious air emissions and combatting other environmental problems. It also need not hurt growth and jobs if offset, say, by lower payroll taxes, as the US report recognises in calling for "revenue-neutral" environmental taxation. However, the pre-electoral shyness of both Labour and Democrats – terrified of being branded "tax-and-spend" parties by conservative rivals – illustrates the trickiness of selling green policies to voters who like being nice to the environment but prefer not to pay for it.

Blair does not mention taxation, despite calling for a 20 per cent cut in carbon dioxide emissions by 2010 – the sort of target demanded by environmentalists at talks in Geneva last week. The Labour leader does not explain how he would deliver such targets but says environmental problems will call for "fine judgments".

In his quest to promote socially-benign environmental protection, Blair also promises to reverse VAT imposed on heating fuel. This was introduced, said the Conservative chancellor Norman Lamont in 1993's March Budget, to curb carbon dioxide emissions and combat global warming. Blair does not believe this to be the real purpose of a tax which hits the poor hardest. But unless Labour is prepared to embrace new eco-taxation, it is hard to see how much further it can go than the Conservatives in pursuing environmental goals.

Jonathon Porritt, one of the more pragmatic UK environmentalists, said the Labour leader's failure to tackle eco-taxation head on was the biggest disappointment of an otherwise encouraging speech. "Blair wants to have it both ways," says Wilfred Beckerman, an Oxford University economist who follows environmental issues closely.

In a clue to the party's thinking, however, a Labour report published shortly before Blair's speech said the party would consider a tax on the depletion of natural resources.

● New economic indicators to measure environmental well-being.

This sounds good, is in need of development and presents practical problems yet to be overcome. Critics such as Beckerman doubt that national accounts can ever be reformed on environmental lines given the difficulty of attaching financial values to environmental benefits such as clean air.

Other economists are ploughing ahead with this work, including initiatives by the United Nations and the World Bank, in spite of the difficulties. The Council on Sustainable Development calls for both a reform of national accounts and the development of corporate environmental accounting practices to help companies "identify opportunities to reduce both production costs and potential environmental threats".

An important obstacle to or weakness of environmental improvements is a shortage of data and tools to measure their costs and benefits. Anything which improves such information, even if it does not translate into the overnight greening of gross national product calculations, can only sharpen environmental policy-making.

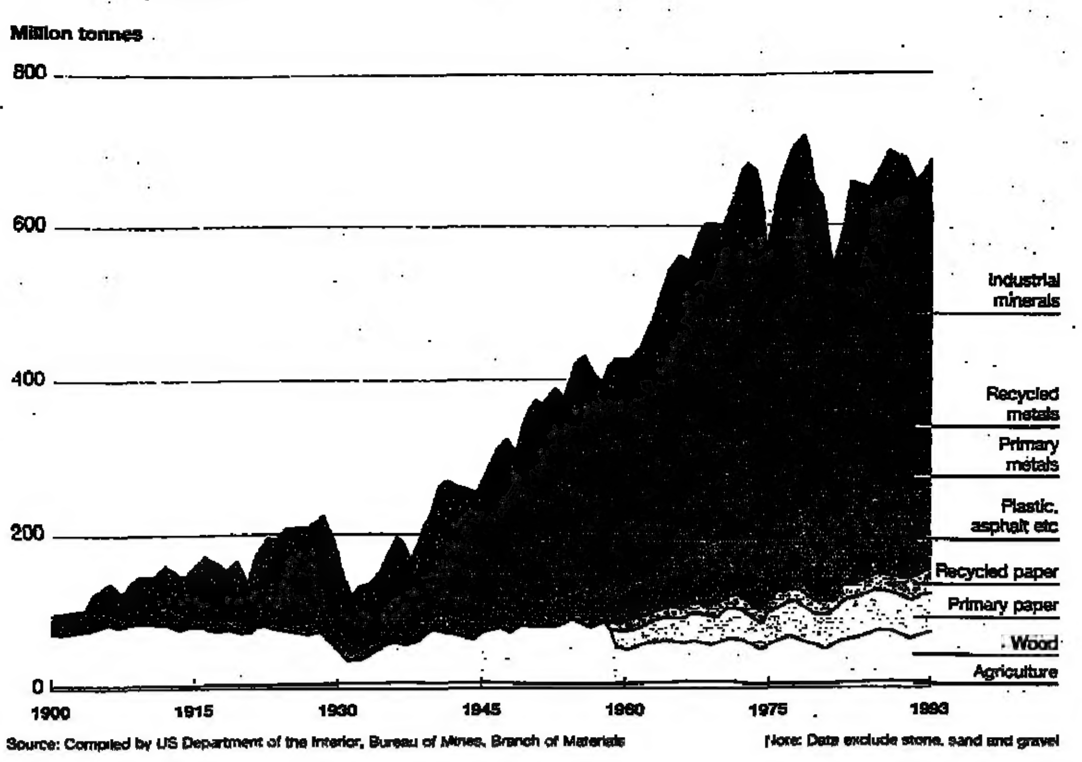
● Acknowledging and furthering a fledgling partnership between business, government and environmentalists to promote environmental values after what the president's Council described as "long years of conflict".

Both Blair and the Council reiterate what many larger companies have already discovered to be true: companies can make considerable cost savings and efficiency improvements by minimising waste and other forms of pollution.

What is less clear is how far government spending on the environment can achieve savings for society. The answer here is that it can work sometimes, as in the case of public transport highlighted by Blair. Last year a group of businesses endorsed a plan for improving public transport in London and freeing the capital of worsening congestion which costs businesses money in lost time and delayed goods. An emerging but still under-used source of environmental information could be a cost-benefit analysis to measure, among other things, the costs and benefits for Londoners of cleaner air.

There is still a lot of vagueness in the UK plan, and many obstacles to carrying out the more detailed US strategy. But their common emphasis on better information, more grass roots involvement and a more constructive relationship with business set an encouraging tone for environmental policy-making in the next century.

Total US materials use



Source: Compiled by US Department of the Interior, Bureau of Mines, Branch of Materials. Note: Data exclude stone, sand and gravel

Watson in the White House

The president's scientific adviser advocates a 'no-regrets' policy

Seventeen per cent of Bangladesh could disappear and forests could shift northwards over the next century in the nightmarish vision of Bob Watson, an Englishman in the White House.

But Watson, scientific adviser to President Bill Clinton, is prepared to admit that he and his colleagues on the International Panel for Climate Change, set up to investigate global warming on behalf of governments, could be wrong.

For this reason, Watson, who also chairs the IPCC working group on the impacts of climate change caused by greenhouse gases such as carbon dioxide trapping heat in the atmosphere, is advocating a "no-regrets" policy. This would promote measures which will benefit the environment in other ways – for instance by curbing air pollution – even if global warming turns out to be a false alarm.

He wants industry to consider ways of reducing carbon emissions in an "evolutionary" manner as they replace capital stock. "I'm not asking anyone to shut down fossil fuel plants tomorrow, but there are actions we can take which can hedge against us either overestimating or underestimating the problem," he says.

Over the next three, five or 10 years, his colleagues in the working group on the science of climate change expect to get a much better understanding of the role of oceans, volcanoes, changing sun temperatures and other variables.

The effects of a doubling of carbon dioxide concentrations over the next century, which could include a big increase in mosquito-borne diseases and killer heat waves, along with benefits such as improved agriculture in the northern hemisphere, could be lesser or greater than expected. They would take place over decades, but Watson is concerned that they will affect those countries least equipped to adjust to changes with sea-defences, better healthcare and food imports.

Environmentalists are calling for carbon emission reductions of 20 per cent from 1990 levels by 2005 while Germany has proposed a 10 per cent cut by that date and 20 per cent in 2010.

Watson says a target to reduce emissions by 10 per cent over the next 10 years would have little impact on global warming. But he believes its real benefit would be to "send a signal to the market place" to develop new technologies.

Watson argues that the most efficient way of transferring such technology would be to introduce tradeable pollution permits. This would enable western countries to get credit at home for investing in carbon-reducing technologies in countries least able to afford such investment themselves. Although backed by the US government, this idea has yet to receive the support of other industrialised nations.

The doubters emerged in force last week when officials and scientists met in Geneva to consider what action governments might take in Tokyo next year in response to the IPCC's latest findings that humans have a "discernible" responsibility for global warming.

A self-styled European Science and Environment Forum challenged what it called an "official consensus" on the science of global warming. It accused the IPCC of using "frighten-them-to-death" tactics to obtain research funds.

The International Climate Change Partnership, grouping 23 multinationals, such as Dow and DuPont, which pride themselves on their attention to the environment, accepted the existence of a threat. But they questioned the emphasis on short-term targets before scientific knowledge of the exact nature of the threat improved.

Realists would argue that since it is going to take some time for governments to agree anything substantial in next 10 years anyway, the scientists have plenty of time to come up with harder evidence.

Leyla Boulton
Frances Williams

INT

Television/Christopher Dunkley

Viewing for pleasure

A recent letter accused this column of taking television too seriously: too much about politics, current affairs and heavyweight drama – did I not realise that most people treated the telly as a bit of a laugh? Did I never watch anything just for the fun of it, or, like other people, because I was too tired to do anything else? My reactions are mixed. British television seems to do politics, current affairs and serious drama rather well; better than television in most other countries, and that seems worth acknowledging and encouraging. At present comedy and light entertainment are not in a very bright patch, so perhaps they have been receiving less attention than usual. Soap operas, game shows and agony series tend to be ignored here for much the same reasons that the FT book reviewers ignore Mills and Boon romances.

On the other hand no one wants to be a killjoy, and the answer to the second question that people ask television critics at parties ("Can you watch anything for your own pleasure any more?") is yes. But while frivolous programmes may sometimes be just the ticket, it is also possible to get pleasure from the serious. Thus, the programme which pleased me most in the past week was a repeat which I saw not for the sake of the job but because my wife was watching it: *The Rape Of Tutankhamun* on Channel 4 on Sunday afternoon. It was a *cri de coeur* from John Romer who said that most people visiting Egypt doubtless assumed that archaeologists constantly monitored the condition of temples, pyramids and so on, and would raise the alarm if damage threatened. In fact, the academics are more concerned with running museums and writing books than with conservation, and consequently the monuments of ancient Egypt are crumbling into the sand. Romer's warning was admirably clear.

Earlier in the week I watched the first episode of *Married For Life* on ITV because it is an English format version of the American series *Married With Children* which has often made me helpless with laughter. Difficult to find because it has been shown only late at night and in limited parts of the ITV network, *Married With Children* treats political correctness, and indeed all trendy American orthodoxies, with contempt. Unfortunately the British version has been miscast with Russ Abbot as the shoe shop assistant. Worse, the dialogue has been emasculated. If in the American original Peggy Bundy ever asked Al in bed whether "Mr Bendy wants to visit snuggle land" it can only have been sarcastically, whereas Pam Butler in the English version was required to mean it.

Last week, as in many weeks, I watched *Top Gear* on BBC2 simply because Jeremy Clarkson's pieces to camera are so amusing. The knowing post-Whicker overstatement which has become his trademark – "See how it revs! That's smoother than the liver pâté I had for lunch!" – can be enjoyed without any interest in motor cars. Oddly enough the funniest moment of the week was provided by another motoring commentator: Murray Walker. Some find the high-octane stream of sound coming from his mouth during grand prix races (not unlike the sound of the cars themselves) somewhat wearing. I find his enthusiasm endearing. But it was not the 3.00 am live coverage of the Melbourne Grand Prix on BBC2 which supplied the funny moment, though as it happens I did watch that immediately after watching all 4½ hours of the first Saturday night *Blue Light Zone* containing nothing but police programmes. The laugh came from a commercial in which Walker follows racing driver Damon Hill into a pizza parlour, commenting loudly on his every move and every bite.

It is said that *The Blue Light Zone* was originally a joke, suggested inside Channel 4 in response to the question "What can we do after *The Red Light Zone?*" Unhappily the opening evening made that seem only too likely. The first offering, *Subway Cops And The Mole Kings*, an account of the troglodyte oddballs who live in the remote nooks and crannies of the New York subway system, was as striking as Molly Dineen's film about the night workers on the London underground. But the rest looked like a haphazard conglomeration of repeats. Critic or not, I would have watched the 1975 episode of *The Sweeney* to check whether it was as entertaining as memory suggested (it was). However, there seemed little to be gained from the other repeats, or from the violent and third rate Hong Kong film thriller *Rock 'n Roll Cop*.

Next day I finally found time to play the tape of the *Omnibus* obituary of Peter Cook which had been screened while I was on holiday in December but which friends had reported was funny, containing many clips, yet also sad and honest and altogether pretty good. All of which proved to be true. I also watched *Salome's Last Dance* on Channel 4 – a movie made in 1988 by Ken Russell who was one of the heroes of my youth when he was making films for *Monitor*, predecessor to *Omnibus* – and wished I had not. Russell's post-1960s career has been as disappointing as Cook's. That day I also managed to catch up on the previous two episodes of *Our Friends In The North* to be ready for the final episode on Monday.

This is another production which would have held my attention regardless of the job, though as it has progressed the development of historical events has become more interesting than that of the characters. I happen to be the same age as Nicky, Mary, Tosker and Geordie and can match many of their experiences. So there must have been something slightly wrong given that I felt less for them than for Felix and Florrie Hutchinson, Nicky's elderly parents. Few television productions come anywhere near the ambition of *Our Friends In The North*. It contained numerous powerful sequences ranging from the Soho vice stories to the miners' strike, and creator Peter Flannery and the BBC should be saluted for seeing it through. If in the end it did not quite match the clarity of vision and the extraordinary identity of national and individual odyssey achieved in *Heimat*, it is, nevertheless, the only British series which even begins to stand comparison with that amazing German achievement.

And the first thing that people say to television critics at parties? "Of course we hardly watch any television at all these days – how can you bear it?"

Ballet

Great Danes in Sylphide

Scottish Ballet's production of *La Sylphide* is over 20-years-old and none the worse for that. Indeed, at a time when producers have started revising Bournonville with an enthusiasm usually reserved for muddying the waters of *Swan Lake*, it is a joy to view this honourable production again. It looks as *La Sylphide* should look: simple and unpretending. It is the purity of the dance and the subtlety of the playing which make sense of its drama, not interpolations and Romantic flummery.

The staging was made by that inspired Bournonvillian, Hans Brenaa. It has been revived by another great authority, Sorella Englund, and at the end of last week brought a further great Dane – Johan Kobborg – as a guest James. And bliss was ours as we watched it on Friday night in Glasgow. Scottish Ballet's artists play every role, nip and drift through every dance, with felicity. The modesty of the production allows Bournonville (and his interpreters) to speak. The sylph was the Japanese ballerina, Yurie Shinohara, who offers a sweetly phrased and buoyantly danced exposition of step and decorous pose. She hovers, and gazes so adoringly at James that he must follow her and must, tragically, desire her. My only complaint about an otherwise touching reading is that this sprite's death-scene was too agitated. Let Miss Shinohara, if she can, see film of Margrethe Schanne (most sublime of sylphs) whose death was infinitely pathetic in its simplicity.

Johan Kobborg displays every virtue of the Danish school. Bournonville said that dancing was an expression of joy, and to see Kobborg spring into the dance – impelled, it seems, by a tremendous surge of happiness – is to understand the truth of this. High-flying, cutting steps and phrases with wonderful brightness of energy, he is an ideal exponent of the role's airy shape. His acting is as yet – he is in his early 20s – more decent than inspired, but the character is true, and he will acquire that clarity of feeling (the single potent gesture) which the best Jameses have ever shown. He was at his best, emotionally, with the witch Madge – and here the evening touched greatness because Sorella Englund took the role.

She is an artist of burning intensity. In earlier times she was a beautiful sylph. Latterly she has assumed (thus do the Danes guarantee the integrity of their Bournonville heritage) character roles. Her Madge is in the finest interpretative traditions of the Royal Danish Ballet, but it explores and expands them. Englund is beautiful, and there is in this Madge some suggestion that her hatred of James is a passion corroded and turned to evil. Certainly, the intense focus of Mme Englund's reading, its venomous humour and sudden towering rage are superb. This Madge is fascinating, and her power is terrifying. She rears to her full height as she turns upon James – a striking cobra – and we know terror ourselves.

It is also an interpretation of ideal proportion: the poles of the action, the Romantic dilemma of unattainable love and the tragedy it begets, are exactly balanced. The evening, in sum was a triumph. A masterpiece of the old ballet was made true and compelling for an audience – without compromise.

To open the programme, a new ballet from Mark Baldwin, who is now Scottish Ballet's resident choreographer. *A Fond Kiss* is set to Stravinsky's Divertimento from "Le Baiser de la fée". I have admired the wit and oblique skill with which Baldwin has made choreography over the past few years. His realisations of scores have seemed unexpectedly right, with a sleight of hand that pulls bouquets from the most unexpected musical hats. I supposed, at first, that his view of the *divertimento* was equally off-beat. But the evolutions he gives a central couple and a subsidiary group of 12 dancers look cussed, as if movement in an academic style does not come easily to him. He provides dance that seeks to be jokey and seems merely ill-at-ease. The choreography might have been intended for *Danses Concertantes*: the emotional, Tchaikovskian world of *Baiser* is lost. Receiving its second performance on Friday, the piece did not sit happily on its cast, who were in no way helped by Jacqueline Hancher's black and white outfits that aimed, unhelpfully, at "fashion".

Scottish Ballet tours this programme to Edinburgh, Aberdeen, Inverness, Newcastle and Hull, during March and April. Check on casting.

Epitome of the Bournonville style: Johan Kobborg, seen here in 'Napoli'

Opera in Cardiff and London

Full of Italian spirit

Richard Fairman reviews 'Cav and Pag' and 'La traviata'

When putting on an opera, so many disparate elements need to come right that it is always a bit of a gamble. I hesitate to use the term "lottery" – a dirty word at Welsh National Opera at the moment – but with its new production of *Cavalleria rusticana* and *Pagliacci* all the company's numbers have come up.

For all their supposed popularity *Cav and Pag* do not get performed that often, at least outside Italy. It is easy to see the thinking that has brought them now to WNO. The company wants to celebrate its 50th season by bringing home some of the illustrious Welsh singers who tour the world's opera-houses, first Bryn Terfel in *The Rake's Progress* and now Dennis O'Neill to double in the tenor roles of both *Cav* and *Pag* – a feat occasionally attempted by Placido Domingo, but not often by anybody else.

For him, it will have been a strenuous evening, amply rewarded, but the sweat and toil he put into playing these *verismo operas* was handsomely matched by the rest of the cast. When the WNO chorus is in the lusty form it was here, it is safe to bet the performance is going to go right. The musical director, Carlo Rizzi, seems to have instilled confidence all round and the result was a sturdily played performance, bursting with Italian spirit – even if the orchestra did not need to remind us that it can make enough noise to fill a bigger theatre (should the Cardiff Bay Opera House ever get built).

It is worth bearing in mind that Mascagni and Leoncavallo never intended their two operas, dubbed "the heavenly twins", to be performed together. In recent years there has been a trend towards finding some link between them, but WNO's producer, Elijah Moshinsky, decided to take the opposite route and show how different they can be. For the Mascagni, he and his designer, Michael Yeargan, stuck with theatrical realism and a street in a sun-baked Sicilian village in the 1890s, where the locals smoulder over matters of honour and jealously.

Then, after a 40-minute interval for dismantling the set and dumping it in the car park at the back (the New Theatre is not exactly well equipped), the curtain rose unexpectedly on an almost empty stage. *Pagliacci* was performed with minimal scenery and maximum concentration, its period updated to the 1930s. This was a neat trick, to promise a traditional production in the first half and then make its flipside new and adventurous, which allowed Moshinsky to have his panettone and eat it. Both halves were superbly executed.

In *Cav* he captured perfectly the stifling atmosphere of the small community that shuts out those it dislikes. Doors and window-shutters banged closed as Anne-Marie Owens's outcast Santuzza came down the steps to the village piazza. Vocally she may not be the raw-voiced Italian dramatic soprano of tradition, but her generous mezzo extends to both the amplitude and the top notes for the role. Peter Sidhom, as Alfio, bellowed convincingly and Menai Davies's tight-lipped old Mamma Lucia added a brilliant cameo.

In *Pagliacci* the clapped-out old Ford that serves as the clowns' roving theatre drives into town with a lively band of performers, including Sidhom's leering Tonio and Rosalind Sutherland, who throws heart and soul into her portrayal of low-grade, flirty Nedda. Her duets with Jason Howard's Silvio crackled with sexuality, not least because Sutherland's soprano goes into overdrive whenever it heads above the stave. Moshinsky managed the clowns' knife-edge interplay between comedy and tragedy brilliantly.

In this company Dennis O'Neill was first among equals. For once the two tenor roles genuinely seemed to be different people: his Turiddu in *Cav* was a careless cad, his Canio in *Pag* a loving husband under stress being driven to the bottle, and in both he gave generously of himself, as always. The *Pagliacci*, in particular, is a strong show: if WNO's own roving troupe of players is coming to your town, be sure to book a seat now.

★

In between his performances of *Cav and Pag* for WNO Carlo Rizzi is finding the time to dash back and forth for a simultaneous run of *La traviata* at Covent Garden. It would be easy – but untrue – to accuse him thereby of selling one or other company short. The opening night of the Verdi on Monday sounded well prepared, even if Rizzi's conducting is inclined to skate precipitately across the surface of the music.

His singers sound hustled, but are light and agile enough to keep up. Andrea Rost, last summer's Violetta at the Salzburg festival, makes an apt match for Rizzi. Her soprano makes up in penetration what it lacks in size. The fast vibrato is not unattractive and, pushed to her limit, she has the hard-edged brilliance of a cascade of diamonds. What she lacks is depth of tone, with commensurate depth of character. It is possible to imagine Rost as a Gilda of simple, unblemished purity, but Violetta has lived and experienced so much more, which one hopes to hear reflected in the singing.

The attraction of this cast is the freshness of young love. Rost's girlish Violetta has an unaffected young suitor in Ramon Vargas, who would rather stand around looking touchingly lost on stage than going through the practised routines. He wisely does not press his warm lyric tenor and sings with affection and just a touch of individuality, a welcome house debut. Carlos Alvarez reveals a fine Verdi baritone, both noble and even, as Giorgio Germont, but keeps any strong feelings he may have about the role to himself. The smaller roles offer a representative sample of English voices and accents. With Richard Eyre's production still as impressive visually as when it was new, everything looks good.

WNO on tour at the Bristol Hippodrome this week, then in London at the Royal Opera House March 20 to 22. Sponsored by The Friends of WNO.

Performances of 'La traviata' continue in repertory at Covent Garden until March 29.

INTERNATIONAL ARTS GUIDE

AMSTERDAM

CONCERT

Beurs van Berlage
Tel: 31-20-6271161
● Karin Lechner: the pianist performs works by Ravel, De Falla and Granados; 2.15pm; Mar 17

Concertgebouw
Tel: 31-20-5730573
● Sumiko Nagaoka: the pianist performs works by Mozart, Beethoven, Debussy and R. Schumann; 8.15pm; Mar 16

BERLIN

CONCERT

Konzerthaus
Tel: 49-30-203092100/01
● Ensemble United Berlin: with conductor Peter Gulke perform works by Webern and Tuerke; 7.30pm; Mar 16

OPERA

Deutsche Oper Berlin
Tel: 49-30-3438401
● Der fliegende Holländer: by Wagner. Conducted by Sebastian Lang-Lessing and performed by the Deutsche Oper Berlin. Soloists include Bengt Rundgren, Julia Varady and Gerd Brenneis; 7.30pm; Mar 16

BRUSSELS

CONCERT

Théâtre Royal de la Monnaie
Tel: 32-2-2291200
● Thomas Mohr: accompanied by pianist Thomas Palm. The baritone performs songs by Grieg, R. Schumann, Brahms, R. Strauss and Wolf; 8pm; Mar 15

DANCE

Kaaitheater Tel: 32-2-2015959
● Mikrokosmos: a choreography by Anne Teresa De Keersmaeker to music by Bartók and Ligeti, performed by Rosas; 8pm; Mar 12, 13, 14, 15, 16

CHICAGO

OPERA

Civic Opera House & Civic Theatre
Tel: 1-312-332-2244
● Götterdämmerung: by Wagner. Conducted by Zubin Mehta and performed by the Lyric Opera of Chicago. Soloists include Eva Marton, Siegfried Jerusalem, Matti Salminen and Alan Held; 5.30pm; Mar 16

COLOGNE

CONCERT

Kölner Philharmonie
Tel: 49-221-2040820
● Gidon Kremer, Mischa Maisky and Valery Afanassiev: the violinist, cellist and pianist perform works by Shostakovich; 8pm; Mar 14

DANCE

Opernhaus Tel: 49-221-2218240
● Goya: a choreography by Jochen Ulrich to music by Bo Verspaendonck, performed by the Tanz-Forum Köln; 7.30pm; Mar 14

DRESDEN

DANCE

Sächsische Staatsoper Dresden
Tel: 49-351-49110
● Romeo und Julia: a choreography by Thoss to music by Prokofiev, performed by the Ballet Dresden; 7pm; Mar 15, 16

GHENT

EXHIBITION

Museum voor Sierkunst
Tel: 32-9-2258676
● Deense Keramiek: exhibition of Danish ceramics from the collection of the Museum Boymans-van Beuningen in Rotterdam and a private collection; from Mar 15 to May 5

HAMBURG

OPERA

Hamburgische Staatsoper
Tel: 49-40-351721
● Der Wildschütz: by Lortzing. Conducted by Gregor Bühl and performed by the Hamburg Oper. Soloists include Klaus Häger, Peter Galliard and Gabriele Rossmanith; 7.30pm; Mar 14, 16

LONDON

CONCERT

Barbican Hall Tel: 44-171-6388891
● The Mozart Festival Orchestra: with conductor Ian Watson, violinist Anthony Marwood and trumpeter Crispian Steele Perkins perform works by J. S. Bach, Albinoni, Pachelbel, Vivaldi and Handel; 8pm; Mar 16

EXHIBITION

Tate Gallery Tel: 44-171-8878000
● Colin Self: exhibition surveying the work of this British artist, one of the founders of Pop Art; to Mar 17

LOS ANGELES

EXHIBITION

Los Angeles County Museum of Art Tel: 1-213-857-6000
● American Paintings in Southern California Collections: this exhibition celebrates the taste and foresight of local collectors of American art with 75 paintings spanning 150 years; from Mar 17 to May 26

MAASTRICHT

ART & ANTIQUE FAIR

MECC Tel: 31-43-3838383
● The European Fine Art Fair: more than 160 art dealers from Europe, the United States and Hong Kong present highlights of their collection; to Mar 17

NEW YORK

CONCERT

Alice Tully Hall Tel: 1-212-875-5050
● Paul Groves: accompanied by pianist James Levine. The tenor performs songs by Bellini, Debussy and R. Schumann; 8pm; Mar 17

Carnegie Hall Tel: 1-212-247-7800
● Bruce Ford: accompanied by pianist Warren Jones. The tenor performs songs by Bellini, Beethoven, Britten, Duparc and Rossini; 8pm; Mar 15
● The New York Pops: with music director Skitch Henderson and The Blue Hill Troupe, Inc. pay tribute to Gilbert and Sullivan; 8pm; Mar 15

The Metropolitan Museum of Art
Tel: 1-212-879-5500
● Juilliard String Quartet: perform works by Beethoven; 8pm; Mar 15

OPERA

Metropolitan Opera House
Tel: 1-212-362-6000
● Salome: by R. Strauss. Conducted by Donald Runnicles and performed by the Metropolitan Opera; 8.30pm; Mar 15, 20

OSLO

OPERA

Norske Opera Tel: 47-22-429475
● Mysteries: by Kvandal. Conducted by Kjell Ingebretsen and performed by the Norwegian National Opera; 7pm; Mar 14

PARIS

OPERA

Théâtre du Châtelet
Tel: 33-1 42 33 00 00
● Don Carlos: by Verdi. Conducted by Antonio Pappano and performed by the Opéra de Châtelet; 6.30pm; Mar 16

ROME

CONCERT

Accademia Nazionale di Santa Cecilia Tel: 39-6-3611064
● Un' Incoronazione Veneziana del 1595: by Gabrieli. Performed by the Gabrieli Consort & Players; 8.45pm; Mar 15

OPERA

Teatro dell Opera di Roma
Tel: 39-6-481601
● Il matrimonio segreto: by Cimarosa. Conducted by Lü Jia and performed by the Opera di Roma; 8.30pm; Mar 14, 16 (6pm), 19

STOCKHOLM

OPERA

Kungliga Teatern - Royal Swedish Opera House Tel: 46-8-7914300
● La Traviata: by Verdi. Conducted by Kjell Ingebretsen and performed by the Royal Opera Stockholm; 7.30pm; Mar 15

VIENNA

CONCERT

Konzerthaus Tel: 43-1-7121211
● Ernst Kovacic and Thomas Larcher: the violinist and the pianist perform works by Neuwirth, Cerha, Krenek, Antheil and Hartzell; 7.30pm; Mar 17

Musikverein Tel: 43-1-5058681
● Heinrich Schiff: the cellist performs suites by J. S. Bach; 7.30pm; Mar 17

OPERA

Wiener Staatsoper
Tel: 43-1-514442960
● Maria Stuarda: by Donizetti. Conducted by Jan Latham-König and performed by the Wiener Staatsoper; 7.30pm; Mar 14

WASHINGTON

MUSICAL

Ford's Theatre Tel: 1-202-347-4833
● The Fantasticks: by Tom Jones, with music by Harvey Schmidt. Directed by Michael Raiford. The cast includes Joe Sears, Jaston Williams, Mark Aldrich, Kevin Bailey and Julian Brightman; Tue to Sun 7.30pm, Thur also 1pm, Sun also 3pm; from Mar 16 to Jun 30 (not Mon)

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As foreign exchange turnover grows profits are under pressure, says **Philip Gawith**

More trade means less enjoyment

The dramatic growth in the world's foreign exchange markets continues unabated. Turnover grew by 13.2 per cent a year in the three years to April 1995, according to the Basle-based Bank for International Settlements, reaching $1,230bn (£804bn) a day.

But results released over the past month by the leading foreign exchange banks in the US and Europe show that profits have failed to grow commensurately. While the figures are better than those for 1994, they have yet to return to the levels achieved in 1993.

With increasingly stringent capital adequacy requirements set by the BIS, banks must now set aside more capital to cover the risk of losses. Foreign exchange managers have therefore been forced to start focusing on the capital they use and shift the emphasis from revenues to returns.

It is a case of "trading more, enjoying it less," says Mr John Leonard, banking analyst at Salomon Brothers in London.

The steady growth in foreign exchange turnover reflects the relentless growth in world trade and huge movements of capital fuelled by the ending of exchange controls and increased cross-border investment. Businesses are also making greater use of foreign exchange markets to reduce their exposure to volatile floating exchange rates, while the increased activities of US investment banks and hedge funds is contributing to the growth of the market.

Although none of these trends looks likely to be reversed, banks involved in foreign exchange dealing are under pressure in the three main sectors: customer business, marketmaking and proprietary trading.

On customer business – where the banks are providing services for customers with cross-border trade or investments – margins are under pressure as new entrants try to win a share of the market.

Some, like Deutsche Bank, are seeking to develop a foreign exchange business to complement other services such as investment banking and fund management. US investment banks such as Merrill Lynch are keen to get a stake in foreign exchange where commercial banks are dominant.

Increased competition is also eroding margins in marketmaking, where cheaper technology now allows information to be shared more widely. If every dealer has much the same information at the same time, there are fewer profitable trading opportunities.

The pressure on margins has also intensified with the advent of electronic broking, which allows small banks that previously traded in foreign exchange through larger banks to trade directly.

"There was always a risk that success was going to backfire on us, and it has," says the head of foreign exchange at one of the banks which has sponsored EBS, a successful electronic broking system.

On proprietary trading, opportunities for windfall profits have also become fewer – particularly as European governments have removed the sitting targets presented by the European exchange rate mechanism when currencies had to be maintained within narrow bands. Speculators could make money by forcing central banks to defend currencies that were believed to be overvalued – as they did during the 1992-93 crises. ERM exchange rates can now fluctuate either side of the central rate by up to 15 per cent before central banks intervene.

"Central banks were paying the speculators to try and hold exchange rates at levels that were unsustainable," says Mr Paul Winchester of NatWest Markets. "Markets made money, and the central banks paid for it."

In Europe and elsewhere, central banks have also made clear their commitment to reducing exchange rate volatility. This has been partly achieved through increased economic convergence between leading industrial countries, leaving fewer stresses on exchange rates for traders to exploit.

Even when central banks have decided to defend currencies, they have been more adept. In 1995, for example, the US Treasury waited until the dollar had stopped falling before intervening to support it.

"Central banks have got back in control," says Mr David Adamson, head of global foreign exchange at Chase in London. "They are taking back what they lost in 1993. If central banks are taking, someone else is losing."

Old hands also say that increasingly quick and sophisticated markets mean fewer trading opportunities. "It's like football," says Mr Rob Loewy, head of foreign exchange at HSBC Markets in London. "In the old days games used to end 5-4, with lots of opportunities. Now you are lucky if you get a 1-0 result."

Trading opportunities remain – huge sums, for example, were lost and won as the dollar first fell, then recovered, sharply against the yen during 1994-95. But the appetite to risk large sums of capital pursuing such opportunities is almost certainly not what it was back in 1993.

The banks have responded to the tougher operating environment in several ways. One is consolidation. Rationalisation of foreign exchange trading to share overheads has formed an important part of larger banking mergers, such as those between HSBC and Midland and Chase Manhattan and Chemical Bank.

This process has been encouraged by the trend among large customers to reduce sharply the number of banks they use. One of the largest UK companies, for example, has cut the number of banks it uses for foreign exchange from 50 to around 20.

This makes it increasingly important for banks to make it into the "first division". Those outside this top group are increasingly feeling the squeeze, often being forced to pare their global ambitions.

A second response to tougher trading conditions has been to work harder to develop a strong customer base. This means, for example, having suitable expertise in products such as options and other derivatives. It also means tailoring products to customers' needs.

"In order to build a successful foreign exchange business, you have got to add value for your clients," says Mr Julian Simmonds, head of global foreign exchange at Citibank, the largest foreign exchange bank in the world.

A third response is to centralise foreign exchange trading in a few centres, with hubs in each of the three main time zones: the US, Europe and the Far East. This saves on costs, while also providing a flow of information from around the world which generates proprietary trading opportunities. Other offices are relegated to making prices only in the domestic currency of the country they are in, with other prices set in the regional hub.

Finally growth in global trade and capital flows has led to a natural increase in emerging market currency activity, where better margins are often still available to banks. Mr Loewy estimates that about 10 per cent of his London dealing room is now devoted to emerging market currencies – up from 1 per cent two years ago.

One consequence of concentration in the industry has been a loss of liquidity in the market – the ability to transact sizeable volumes without moving the price significantly.

"The maximum amount you can do at any one time is less than it was," says Mr Loewy of HSBC. "There is not the spread of houses that you can call."

Declining corporate activity has also been a contributing factor. A recent survey by Greenwich Associates, a US financial markets consultancy, found that the foreign exchange trading volume of the typical North American company fell by nearly 15 per cent between 1994 and 1995.

"Much greater depth of understanding is required to make money than in the 1980s," says Mr Loewy. "The market is simply more competitive and efficient. A lot more toil is involved."

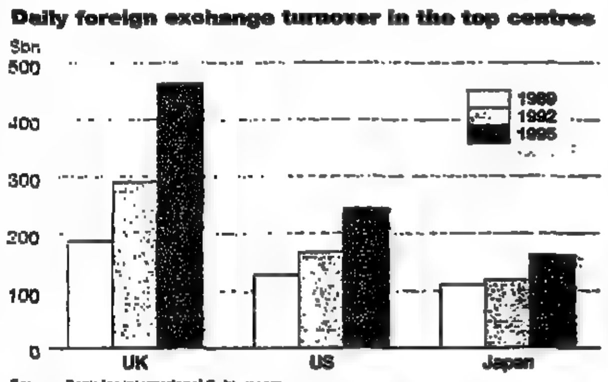
Foreign exchange revenue

US dollar equivalent ($m)	1991	1992	1993	1994	1995
Barclays	384	810	287	136	205*
HSBC Holdings	528	678	586	525	572*
NatWest	239	457	359	286	[illegible]*
UBS	545	941	615	522	498**
BankAmerica	246	300	298	237	303
Chase	215	327	356	280	241
Chemical	289	476	468	222	260
Citicorp	709	1,006	995	573	1,063
J.P. Morgan	85	282	179	131	182

* 1995 average exchange rate (£/$: 1.58)
** Exchange rate ($/SFr : 1.18)

Source: Salomon Brothers, FT

Daily foreign exchange turnover in the top centres



Source: Bank for International Settlements

Endowed with too much controversy

Businesses wishing to sponsor higher education can face questions on how money was raised

Universities are under pressure from the government to raise a much greater share of their funds from industry and the private sector. But there may be limits, as both Oxford and Cambridge have discovered in the last month.

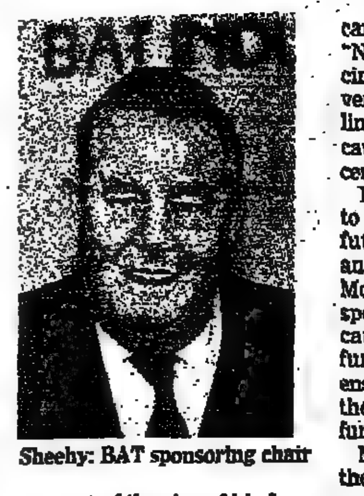
Both have provoked furious dissension by endowing professorships in the name of generous but controversial businessmen. In both cases, the decisions have been challenged on ethical grounds, throwing a spotlight on how the businesses had raised their money.

At Oxford, the storm has been stirred up by a proposal to endow a Professorship of European Thought at Balliol College in the name of Dr Gert-Rudolph Flick, grandson of Friedrich Flick, a Nazi arms manufacturer. The university appointed an ethics committee to conduct a nine-month investigation into Dr Flick's wealth, and concluded that the funds had not been derived from the profits made by his grandfather.

It did, however, re-name the professorship. Originally to be called the Flick professorship, it is now named after Gert-Rudolph. Beyond that, the university said yesterday it had no intention of withdrawing the professorship.

Mr David Selbourne, a political theorist and Balliol graduate, has taken the lead in opposing the professorship, calling for the college to have the "moral courage" to reject the endowment. "Respect for the shades of Friedrich Flick's slave labourers – of whom tens of thousands died – demands no less," he says.

At the forefront of those defending the chair is Lord Weidenfeld, the publisher who is a survivor of the Holocaust. Having played a part in attracting the funding, he says it would be unfair to ostracise Gert-Rudolph on account of the sins of his forefathers.



Sheehy: BAT sponsoring chair

Oxford has had several such controversies in recent years. A Robert Maxwell fellowship at Balliol attracted adverse comment after the controversial millionaire publisher disappeared.

Student sensibilities were also offended by the university's Rupert Murdoch professorship in media studies, launched three years ago.

But Cambridge has also touched a similar nerve with the announcement last week of its new Sir Patrick Sheehy Professorship of International Relations. BAT Industries, the tobacco conglomerate which Sir Patrick chaired until the end of last year, is sponsoring the chair as part of its £3m annual education budget.

Sir David Williams, Cambridge vice-chancellor, said he was "delighted" to honour Sir Patrick who had "made an outstanding contribution in the field of international relations". But others were more concerned by Sir Patrick's contribution to tobacco sales.

The Association of Public Health, which represents professionals in the National Health Service, said Cambridge had "destroyed its reputation as a serious centre of medical excellence by associating itself in this way with tobacco – the most dangerous product ever invented for peacetime use".

Suggesting that the university would next honour the leader of a Colombian cocaine cartel, the association added: "No serious student of medicine will want to join a university which is now forever linked with a product which causes one in three of all cancer deaths in the UK."

Incidents like this are likely to become more frequent in future, as universities' reliance on private income grows. Most universities now have specialist departments dedicated to attracting private funding, in an attempt to ensure some immunity from the government's tightening funding régime.

Mr Patrick Coldstream, of the Committee for Industry and Higher Education, a body that brings together business executives and university vice-chancellors, estimates that total direct spending by industry on universities is now running at about £350m each year. It is back to record levels after dipping during the early years of the recession.

Ten years ago, a large proportion of business support for higher education was paid directly to students in bursaries from individual employers. But the emphasis has now switched to research funding, including an increasing share for "contract research", where universities undertake a specific commission for a company.

However, it is noticeable that business sponsorship no longer seems to stir passions among students. The National Union of Students says it would prefer all funding to come from the government "in an ideal world", but acknowledges that students are "too worried about their own finances" to engage heavily in the debate.

But the danger that an endowment will draw the limelight onto corporate activities is unlikely to encourage corporate generosity. The fact that the anger is more likely to come from alumni and professionals with an axe to grind than idealistic young students only adds to the donor's dilemma.

John Authers

LETTERS TO THE EDITOR

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Misguided exchange rate policy

From Mr Steve H. Hanke.

Sir, Mr John Barham's informative account of the ambitious economic goals presented by Turkey's new government ("Turks Await Financial Miracle", March 8) fails to mention the Achilles' heel of the Turkish strategy.

The government has stated that it wants to follow a so-called "realistic exchange rate policy" in which the depreciation of the lira is kept in line with inflation.

A policy of managing the lira's exchange rate in order to stabilise the real exchange rate is misguided, in principle.

The real exchange rate cannot be targeted with monetary policy, because it is a real and not a nominal variable.

As a practical matter, the Turks should know this. Indeed, they attempted real exchange rate targeting from January to September 1995, with disastrous results.

Steve Hanke,
professor of applied economics,
The John Hopkins University,
Baltimore,
Maryland, US

Valuable support for Ukraine

From Mr Luis Marco.

Sir, In his personal view ("Behind The New Iron Curtain Of Europe", January 23) Dr Anders Aslund deplores "how little the EU has contributed to [the stabilisation] process [of the Ukrainian economy as]... EU ministers... are bogged down in bureaucratic decision making and... collective parochialism... [and the EU is] an example to justify protectionism, regulations and subsidies".

He then sweepingly dismisses EU's assistance to Ukraine through Tacis (Ecu52m in 1995) as "ungenerous" and "spent on employing EU consultants... [whose] nationality is far more important than what they achieve".

I should have expected someone from the European Council and the European Commission to take the floor and point out that EU countries contribute more than 25 per cent to the subscribed and disbursed capitals of IMF and International Bank for Reconstruction and Development ("serious donors", according to Dr Aslund), and more than 50 per cent (jointly with the European Commission and the European Investment Bank) to the European Bank for Reconstruction and Development's equity, which are the instrumental tools in assisting Ukraine through grants, equity and corporate and project financing.

The Commission is also supporting Ukraine's balance of payments, although not as much as US financiers would like.

Although I could point to more than a couple of unmitigated disasters in assistance from the EU, the main point of Tacis, the largest (together with Phare) technical-assistance programme in the history of international co-operation, is its immense value at opening trade and establishing links with the Ukrainian government, parliament, economic operators and opinion leaders, not to mention efforts in the transport and energy sectors, including in the Chernobyl decomissioning and funding alternative power stations.

Ukrainian progress, and that of western businesses in Ukraine, would be unthinkable without EU's ongoing support.

As for the show business of EU ministers, I recognise that Europeans are not as good as ministers from other areas.

Finally, Dr Aslund is quoted by Mr John Thornhill ("Vote-hungry Yeltsin talks tough on tariffs", March 6) as saying that, "in the case of alcohol, there is clearly a good argument for raising import tariffs [in Russia]".

I believe Dr Aslund is rightly protectionist on vodka.

Luis Marco,
CEO, Secofisa,
Madrid

Important European issues at stake

From Mr John Parfitt.

Sir, With reference to the article "A Euro-stalemate", March 8, there are many arguments about closer ties with Europe which need to be explored. Indeed, it is a pity that we have left it so late.

For Mr Stephens to dismiss those who doubt the benefits of such ties as a "barmy army of anti-Europeans" debases the language and is surely unworthy of a newspaper of record. Should do better I think...

John Parfitt,
St Andrews,
New St,
Glos GL6 6UN, UK

Foolish to forego benefits of intra-EU exchange rates

From Mr David Boal.

Sir, Sixten Korkman makes a laudable attempt at a balanced assessment of the case for a single EU currency ("A More Balanced Picture", March 8). However, he fails to realise fully the significance of his admission that "some countries... might want to remain outside [the currency union] until they have become more integrated into the European economy and increased the flexibility of their labour markets".

If we had an EU single currency zone then goods prices, wages, proper rents and the return on capital would continue to vary regionally, as they do in that regionally diverse single currency zone, the US. The American comparison is instructive: because there are no intra-US exchange rates to allocate resources among regions, the resources must move to exploit regional price differences. Hence mobility of labour is an important condition for efficient resource allocation.

In the US, labour mobility is facilitated by common language, culture and legal system, and a single nationality. Europe lacks these, hence – except among a multi-lingual elite – the EU doesn't have a functional single labour market.

This is why intra-EU exchange rates are beneficial and not just for "peripheral" economies: the persistence of high unemployment in France suggests that "core" EU economies also suffer from the inflexible labour markets which Sixten Korkman accepts are an impediment to Emu membership. Flexible intra-EU exchange rates remain necessary to offset not just "asymmetric shocks" but also the changing pattern of geographical advantage or the tendency of national governments to subsidise inefficient enterprises.

If we stop these exchange rates operating, then, because our labour forces are not mobile, there will be a welfare loss: unemployment will tend to rise and persist in particular regions; to prevent this, or pay for it without higher budget deficits, state subsidies or taxes will have to rise.

Of course, we can continue to work toward the ideals of a single nationality and a single labour market in the EU. But until French farmers are willing to re-train for electronics assembly in Ireland or unemployed Spanish car workers are willing to move to Japanese firms in England, we would be foolish to forego the benefits of a system of flexible intra-EU exchange rates.

David Boal,
Primrose Ridge,
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COMMENT & ANALYSIS

FINANCIAL TIMES
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Mr Major's EU tightrope

Yesterday's white paper on the UK approach to European Union reforms says more about the government's domestic dilemma than it does about the real needs of an enlarged EU in the next century. This was inevitable, given the Conservatives' wafer-thin majority and the stridency of the Eurosceptical camp. But within those constraints, the government has done as good a job as it can of identifying its priorities at the intergovernmental conference.

Mr John Major's room for manoeuvre, and indeed his bargaining strength at the European table, has been squeezed by pressure from those Tories who want nothing less than a substantial unravelling of the Maastricht treaty.

Bold moves in the other direction, such as extending the competence of EU institutions to foreign and home affairs, were never likely to feature on the British agenda because Tory and Labour alike oppose them. But a more confident UK government would be hinting that in return for some flexibility by its partners, London might soften its position on majority voting – for example, by abandoning the veto in relatively uncontroversial areas like research. Yet for domestic reasons, Mr Major has been obliged to rule this out in advance.

Precisely because it cannot offer much in exchange, the government has been forced to keep its own demands on its European partners to the minimum. But some of the proposals in the white paper are reasonable ones.

Domestic lobbies

In calling for some limit to the retroactive effect of decisions by the European Court, the government has common sense on its side. The same applies to its suggestion that a distinction be made between manifest violations of European law, and unintentional infringements that were committed in good faith. Such proposals may in the longer term serve to enhance the tribunal's credibility.

Two of the paper's proposals reflect the concerns of domestic lobbies: the call for treaty amendments to uphold animal welfare, and "if needed" to change the fisheries policy. These are precisely the sort of aspirations that a secure and flexible UK government could pursue more easily than a severely constrained one; as things stand, Mr Major will have to count on his EU partners to show understanding of his domestic problems.

For a document so carefully crafted, the white paper seems short on proposals for preparing the EU to incorporate new members, which is one of the main stated purposes of the IGC. On key institutional questions such as reforming the Commission and the EU presidency, the paper merely sketches out some options. But on inspection, it does deal with two problems which enlargement poses.

Voting weights

It repeats earlier calls for a revision of voting weights in favour of larger states, and it suggests that the principle of subsidiarity be further entrenched in the treaty. These are both questions which have to be addressed before the EU's heavyweight members can accept the dilution of their own power which expansion would otherwise portend.

By concentrating on these modest proposals, the government hopes to limit the scope of the IGC, avoid a row with its EU partners and ensure its own survival until next year. But its prospects for success on the second and third fronts remain doubtful.

The government can claim with some justification that since 1991, when the IGC was conceived, both France and Germany have bowed to reality and narrowed the scope of their short-term aims. But it remains the case that French and German ideas about the EU's long-term future are sharply at odds with those of Britain. It is hard to predict whether this gap will widen or narrow over time: this will depend, among other things, on the success or failure of monetary union.

But if, as seems likely, the UK vision of Europe continues to differ fundamentally from that of its partners, then yesterday's white paper was merely one more step along a tightrope from which the government is bound, sooner or later, to fall.

Germany is not working

When Germany catches a cold, the whole of Europe sneezes. This winter, Germany has caught a severe chill. This does more than pose a challenge to the country's policymakers, businesses and trade unions. It also jeopardises plans for starting European economic and monetary union in 1999.

On a seasonally unadjusted basis, unemployment reached a record level of 4.3m or 11.1 per cent of the labour force last month. But the truth is worse than this. With a further 1.5m people kept off the register by early retirement, short-time working and similar expedients, Germany's overall unemployment is close to 15 per cent of the labour force.

In the fourth quarter of 1995, GDP shrank by 0.4 per cent to give growth of 1.9 per cent year-on-year. Unfortunately, the economy may shrink further in the first quarter of this year. It would then be in recession on one standard measure: that of two successive quarters of negative economic growth.

Mr Günter Rexrodt, the economics minister, did insist last week that "there is no question of a slide into recession or zero growth this year." He could well be proved wrong, and even he admitted that the recovery he expects "will not be sufficient for a fundamental improvement in the labour market".

Industry worse

To appreciate the state of the German economy, it is necessary to step back a little. GDP rose by only 5.4 per cent between the second quarter of 1991 and the last quarter of 1995. The performance of industry, the motor of the economy, has been markedly worse, with output 7 per cent lower in January than five years before. Since manufacturing generates 35 per cent of employment, an exceptionally high share for an advanced industrial country, it is hardly surprising that the employment record has been poor.

What lies behind the abortion of the recovery of 1994 and early 1995? A part of the explanation must be the strength of the D-Mark, itself partly a consequence of the unintended tightness of monetary policy between mid-1994 and mid-1995. Between December 1994 and and April 1995 the Bank of England's measure of the nominal effective exchange rate appreciated by 6.6 per cent. Since April, however, it has depreciated once more, by 3.8 per cent.

To help ease monetary conditions, the Bundesbank has lowered interest rates fairly aggressively since late 1994, reducing its repurchase (or "repo") rate from 4.85 to 3.3 per cent. This has, in turn, helped generate renewed growth in broad money (M3), which expanded at an annualised rate of 5¼ per cent between July and December 1995. Since inflation is now running below the Bundesbank's target rate of 2 per cent, it is no obstacle to further easing. The behaviour of longer-term interest rates could well be, however: the yield on ten-year bonds has risen from 5.8 per cent to 6.6 per cent since mid-January.

Structural problem

Yet it would be quite wrong to focus only on counter-cyclical policy since Germany has a serious structural problem as well. The principal response has been the government's 50-point employment programme, which embodies a series of supply-side reforms, including deregulation, reform of corporate taxation and incentives for company start-ups. It also aims to price workers into jobs by reducing high, non-wage labour costs, such as social security contributions, generous holidays and generous sickness pay. It is questionable whether this is radical enough. It may also not be enacted.

Yet if Germany is not able to secure rapid growth and lower unemployment quite soon, it will fail to meet the Maastricht treaty requirement of a general government fiscal deficit of 3 per cent of GDP this year, or in 1997, at least without further fiscal measures. It would then be forced either to rule itself out of Emu or to agree to a loosening of the fiscal criteria that it has itself insisted on.

What is happening now to the German economy poses more than a purely economic challenge. If performance does not improve, Mr Helmut Kohl will find his European dream punctured by his own country's economic failings.

A marriage of convenience

Turkey's new government has a shaky parliamentary base and may not be able to tackle urgent reforms, says Edward Mortimer

As of yesterday, Turkey at last has a government enjoying the confidence of its new parliament, elected on December 24. It brings together the country's two main centre-right, or liberal-conservative, parties: the True Path Party (DYP) led by Mrs Tansu Çiller, the outgoing prime minister, and the Motherland Party (Anap) of Mr Mesut Yilmaz, who takes her place until the end of this year.

Such a coalition has been strongly desired by Turkey's business elite, and its western allies, since the election in 1991 left neither party with an overall majority. Unhappily, it may have come too late. Had it been formed at any time between 1991 and 1995, it would have had a comfortable majority. Now it is a minority government. Yesterday's vote in parliament passed only thanks to the abstention of the party led by Mr Bülent Ecevit, the veteran leftwing leader.

Mr Ecevit explains that he wanted to avert two other outcomes: a prolonging of the crisis "when the country is beset by very urgent internal and external problems"; or the formation of a government headed by the Islamic populist Welfare (Refah) party. It emerged from the election as Turkey's largest, with 21 per cent of the popular vote; and in mid-February its leader, Mr Necmettin Erbakan, appeared close to agreement on a coalition with Mr Yilmaz.

Mr Ecevit's fears that such a government would gravely endanger Turkey's secular tradition are shared by the "great majority" of Turkish people, he claims.

But, he adds, his agreement to abstain is "not binding in future". "We shall fulfil our responsibilities as an opposition party." According to one of his advisers, the party has agreed to abstain in further votes this year "unless any draft law goes against our principles".

This does not augur well for reform of the ruinously expensive social security system, which Mrs Çiller says is "a must" if the economic reform programme she started is to be completed. Nor does it offer any guarantee that the new government can survive beyond the end of the year, when Mrs Çiller is supposed to resume the premiership. The agreement purports to run for a full five years, with Mr Yilmaz returning to office in 1999 and an unnamed DYP member – not Mrs Çiller – taking over for the run-up to the next election in 2000. But few people outside the leaders' immediate circle even pretend to believe it will last that long.

The two parties have almost identical economic programmes, committed to an open economy and a drastically slimmed public sector. But they have been bitter rivals since the DYP emerged in the mid-1980s as a vehicle for the comeback of Mr Süleyman Demirel, the conservative prime minister deposed by the 1980 military coup.

Mr Demirel could not forgive Anap's founder, the late Turgut Ozal, for exploiting the coup's aftermath to build a new conservative party and seize the premiership.

Mr Ozal became president in 1989, but Mr Demirel came back as prime minister in 1991 and has been president since Mr Ozal's death in 1993. Their rivalry was inherited by Mrs Çiller and Mr Yilmaz, who until three weeks ago were exchanging vicious public insults. And the animosity extends further down in both parties. Many Anap members remain bitter about the hounding of some of their ministers on corruption charges by the DYP after the change of government in 1991, and had looked forward to repaying Mrs Çiller in kind. Eighty per cent of Anap MPs, according to one estimate, are unhappy at being forced into partnership with former foes.

Many would have preferred a coalition with Refah, which has gained a reputation for efficient administration in the city halls it captured two years ago, including Ankara and Istanbul. Few take Mr Erbakan's economic proposals – which include a single currency for the Moslem world, the "Islamic dinar" – very seriously, but many Anap members would not have minded him as a coalition partner, provided the economic ministries were kept out of his hands.

"Many Anap voters are very close to Refah," claims Mr Abdullah Gül, a leading Refah MP. "From the outside, Anap may look like a liberal party, but it's really a conservative one." He means "conservative" in a social sense, implying respect for Islamic tradition, or "family values". In Mr Demirel's time, the DYP was seen as conservative in this sense, but Mrs Çiller, as Turkey's first woman prime minister, has given it a more "liberal" image – modern, urban and socially emancipated. Many educated women voted for her because they saw her as a bulwark against Islamic reaction.

But "conservative" can also mean faithful to the statist, secular tradition established by the founder of the republic, Mustafa Kemal Atatürk. In that context, "liberal" means pluralist or tolerant of divergences, including those in an Islamic direction.

In this sense, Anap is more liberal than the DYP. Turgut Ozal, especially in his last years, encouraged debate on formerly taboo subjects such as the role of the military, the virtues of the later Ottoman empire, and the existence of a Kurdish identity.

Until recently, Mr Yilmaz was seen as not living up to this legacy. He was much more "conservative", meaning respectful of state ideology and institutions. But he is now showing a more "liberal" side. His willingness to explore a coalition with Refah could be seen in that light, though in the end he abandoned it under pressure from business leaders, the media and almost certainly – though no politician will admit it – from the armed forces.

Some Anap members, such as Mr Abdülkadir Aksu, the most prominent Kurd in the new government, say Refah would have been an easier partner in the search for a solution to the 12-year-old war in the south-east against the Kurdish Workers' Party (PKK). Mr Aksu is now minister of state in charge of GAP, the $32bn hydroelectric and irrigation scheme which is supposed to be transforming the arid south-east's economic fortunes. But he believes the campaign to win Kurdish hearts and minds should also include cultural measures such as allowing education and TV broadcasts in the Kurdish language.

In a newspaper interview last week, Mr Yilmaz said he was planning such measures. But they were conspicuously absent from the new government's programme, and will not easily win consensus in a cabinet that includes Mr Mehmet Ağar, a former police chief, as minister of justice, and Mr Unal Erkan, former "supergovernor" of the south-east, as a minister of state. They will be firmly opposed, too, by President Demirel, who told me last week he would challenge any attempt to change the law on this point in the constitutional court: "I am here to defend the unity of the country".

Mrs Çiller, interviewed at the weekend, said cautiously that any such measures "must be on an individual not a regional basis", and must benefit all ethnic groups equally. She also claimed the war in the south-east had been effectively won, and the PKK had withdrawn into northern Iraq because they had no support among the population.

That sounds grotesque to anyone who has actually visited the population. Earlier the same day I had been listening, in a filthy shanty-town on the outskirts of Diyarbakir, to the complaints of people whose village had been burnt by the Turkish army after they fled from it, refusing conscription as "village guards". They had no work, no electricity, and only a standpipe in the street for running water. And there are many thousands like them.

The PKK, these people told me, was "fighting for the rights of the Kurds – and we are Kurds here". They did not want "a separate Kurdistan" but their rights as Kurds within Turkey, including a Kurdish TV channel. Nor did they have any quarrel with the PKK's methods, officially described as "terrorist". They blamed everything on the government and army, which Mr Demirel insists is "protecting" them.

Two days earlier, in a dingy courtroom in Istanbul, I had listened to Yaşar Kemal, Turkey's most famous writer, also of Kurdish origin, insisting on his right "not to use the state terminology". He described the PKK as "guerrillas", and accused the state of fighting them with methods worse than those used by Hitler against the French Resistance.

Despite the prosecutor's demand for an acquittal, the state security court gave Mr Kemal a 20-month suspended sentence for "inciting the people to hatred and enmity and making separatist propaganda". Mr Yilmaz apparently took this verdict, on the day he took office as prime minister, as a direct challenge to his authority.

"Yaşar Kemal is an old friend of mine," he told parliament on Sunday. "I know that he does not harbour bad intentions, such as the breaking-up of our country. If a particular law has caused him to be convicted, then that law needs to be reviewed again by the Assembly."

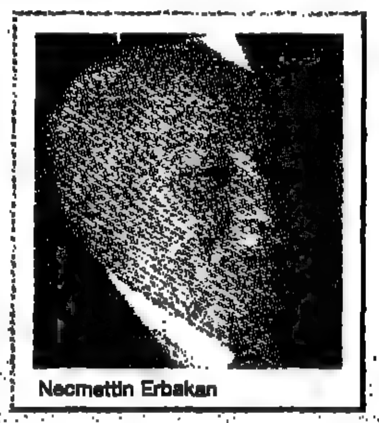
But can Mr Yilmaz persuade his coalition partners to vote for a further change in such laws, already modified last year to help secure the European Parliament's consent to the EU-Turkey customs union? It is far from certain. And it is even less likely he will dare confront the ultimate taboo, by taking up the PKK's offer of talks

Yet such talks were suggested a year ago by Mr Korkut Ozal, the late president's brother, who is now a senior and much respected Anap MP. And he is encouraged by the distance Mr Yilmaz has already moved towards his position.

Attitudes are changing at last, he says, "after so much bloodshed and – I'm sorry to say it – after we destroyed the area".

Mesut Yilmaz

Bülent Ecevit



Necmettin Erbakan

Tansu Çiller, outgoing prime minister

· OBSERVER ·

The good ole' boys team up

■ Trust the Teamsters to get nasty. Wearing its pension fund hat, the US trade union has just put out a list of what it reckons are America's least valuable company directors.

Top of the list is Frank Carlucci, Ronald Reagan's one-time defence secretary. Carlucci sits on the boards of 14 companies, three of which – Upjohn, Westinghouse and the oil group Ashland – are identified as lousy financial performers.

Next comes Vernon Jordan, the black Washington super-lawyer and friend of Bill Clinton. He sits on 11 boards, including such household names as American Express and Xerox. He provides legal services to seven of them, thus risking conflicts of interest. In the case of four – Bankers Trust, Corning, Dow Jones and Union Carbide – he missed three-quarters of the board meetings.

The directors picked out – by supposedly objective screening of company performance – turn out to be remarkably inter-connected. Frank Carlucci sits on the Westinghouse board with its chief executive, Michael Jordan. Michael Jordan sits on the United Negro College Fund board with Vernon Jordan, who is on the American Express board with Drew Lewis, the chief executive of Union Pacific. And Drew Lewis is on the board of FPL, the Florida electrical utility. For some bizarre reason, the FPL board turns out to contain no fewer than five of the 23 directors picked out in the study.

Who said the old-boy network was dead?

Hustle hustle

■ Germany's youngest top Bundesbanker looks set to join the private sector. Gerd Häusler, 44, is moving from the grey slab-like headquarters of the powerful central bank at the edge of Frankfurt. His likely destination is Dresdner Bank's sleek silver tower. Both banks are so far being discreet, as is Häusler, conveniently on holiday.

But a directorship at Germany's second biggest commercial bank would chime in with his ambitions and high profile in world capital markets. He recently became a member of the Washington-based, high-level financial think-tank, the Group of 30. Before scaling the heights of the Bundesbank's central directorate, Häusler headed its credit department. Before that, he was personal assistant to former president Karl-Otto Pöhl, who also left central banking to head the country's biggest private bank, Sal Oppenheim.

Fluent in French and English – he spent a year at high school in San Francisco – the basketball-playing Häusler, whose current Bundesbank responsibilities include foreign exchange and personnel, has been an energetic promoter of liberalisation in the German capital market. Dresdner will no doubt encourage him to continue his efforts, from the other side of the fence.

Atlanta shoot-out

■ In the US, Georgia's attorney-general has caused jitters in high places by claiming that crime in Atlanta, which hosts this year's summer Olympic Games, may be worse than in Sarajevo, the Bosnian capital that hosted the 1984 winter Olympics.

"I'd have to say Atlanta's almost a war zone," attorney-general Michael Bowers said yesterday. "I imagine over the past 30 days we've had more murders in Atlanta than Sarajevo."

Mayor Bill Campbell was hugely irked by the comment, claiming that "the facts are that the crime rate in downtown [Atlanta] is at its lowest level since 1986. I doubt Mr Bowers has ever been to Sarajevo. And I assume he is not spending much time in downtown Atlanta."

Not if he knows what's good for him.

Inappropriate tone

■ How to stand out from the pack? That's the conundrum facing bidders for the intensely competitive Czech mobile telephone licence.

A consortium called AnoFon, led by AirTouch of the US, has a solution. AirTouch says it will donate $10,000 to Prague City Hall to spend on the famous astrological clock in Old Town Square – but only if AnoFon wins the licence, to be awarded in the next few days.

AirTouch executives yesterday denied that the offer was a "sweetener" aimed at enhancing their chances. Vern Tyerman, AirTouch vice-president for European affairs, said the loot would be part of an attempt to heighten AnoFon's name recognition – if they won. So doesn't that mean no licence, no money? "I guess an AnoFon recognition [drive] would look pretty silly if we were to lose the contest," Tyerman observed.

Very fishy

■ A generous admission from Emma Bonino, the EU's fisheries commissioner, that she can't work miracles.

Yesterday she explained to hacks why badly depleted fish stocks meant the need for another painful round of cuts in the EU's fishing fleet: "Two thousand years ago there was someone who multiplied the fish, which I can't unfortunately do."

Much more of this frankness and she'll be out of a job.

The Financial Times

100 years ago

Turkey and the powers

The "Figaro's" Constantinople correspondent telegraphs that ministerial changes are preparing there which, if carried out, will have the most serious consequences for Turkey and Europe alike. The Sultan is credited with the intention of appointing as Minister of War Shakir Pasha, now High Commissioner in Anatolia, and against whose actions all the Powers have been forced to protest. Selim Effetah Melkham, formerly Director of the Public Debt and the implacable enemy of European financiers in Constantinople, is to go to the Ministry of Finance.

50 years ago

West African gold shares

The West African gold-mining industry, which for more than a decade had an unbroken record of expansion, felt the impact of war severely. Gold Coast production, which in 1930 was no more than 218,000 ozs and rose steadily during the 30's to a peak of 382,000 ozs in 1941, has since declined sharply. It was possible at the beginning of war more than to maintain the overall level of gold production. But the situation could not continue, and the introduction of the concentration scheme in the early part of 1943 was perhaps unavoidable.

FINANCIAL TIMES
Wednesday March 13 1996

Arab leaders seek renewed Middle East peace talks

US and Israel call for global 'anti-terror' pact

By David Gardner
in Sharm el-Sheikh

The US and Israel pressed for greater international intelligence-sharing to counter terrorism, as world leaders began arriving yesterday for a summit in Egypt in response to four devastating suicide bombings in Israel.

But Arab leaders fought to widen the "anti-terror" focus of the meeting at the Red Sea resort of Sharm el-Sheikh, and commit participants to pushing ahead with the Middle East peace effort they believe Israel is pulling back from after the bombings.

The 29-nation summit, chaired by President Hosni Mubarak of Egypt and US president Bill Clinton, will be attended by leaders including President Boris Yeltsin of Russia, German chancellor Helmut Kohl, French president Jacques Chirac, and Mr John Major, the UK prime minister.

Mr Shimon Peres, the Israeli prime minister and Mr Yassir Arafat, president of the autonomous Palestinian Authority, will also attend. The Hamas Islamist movement, which claimed responsibility for the attacks, yesterday offered talks with Israel, the US and the Palestinian Authority, but did not offer to stop action. The proposal was rejected by Israel.

At the summit, the US and Israel want participants to condemn terrorism, forge a new international agreement on the prosecution of terrorists and their supporters, and share information on terror networks.

European diplomats said intelligence operatives were likely to exchange information away from the main talks. Washington also wants to single out Iran as the "godfather" of terrorism in the Middle East, though no evidence has been produced linking Tehran to Hamas.

Israeli officials said they expected Mr Warren Christopher, the US secretary of state, to stay in Israel after the summit to prepare a formal US-Israel defence pact. The pact would be signed when Mr Peres visits Washington next month ahead of Israeli elections on May 29 and would include a US commitment to safeguard Israeli security interests.

Egypt, with strong Arab backing, wants the summit to stress the need for full compliance with the 1993 Oslo peace accords between Israel and the Palestinians. Mr Arafat, in particular, will be pursuing Israeli commitments to lift the blockade of Palestinian towns and villages in recognition of his security forces' crackdown on Hamas.

Arab leaders also want to urge movement on the Syria-Israel track of the peace process, stalled because Damascus wants the Israelis to pledge a full withdrawal from the occupied Golan Heights as the price for normal diplomatic and commercial relations. Syria, which hosts both secular and Islamist opponents of the Oslo accords, is boycotting the summit.

Mr Amr Moussa, the Egyptian foreign minister, stressed yesterday that "this is a political meeting", not a mere anti-terror summit. "There has been no suggestion so far of singling out any country," as sponsors of terror attacks, "but we'll cross that bridge when we come to it," he said.

UK under pressure over Palestinian aid, Page 4

Hopes of German recovery damped by imports plunge

By Peter Norman in Bonn

German exports have finally fallen victim to last spring's sharp increase in the value of the D-Mark, registering a year-on-year fall in December for the first time last year. But the December trade surplus of DM7bn ($4.7bn) was up on that of a year earlier, reflecting an even sharper fall in imports as the domestic economy contracted.

Statistics office officials said the export downturn was a delayed response to last year's sharp increase in the value of the D-Mark. It cast doubt on government hopes that exports would support German economic activity this year at a time of weak consumer demand and investment.

According to the federal statistics office yesterday, visible exports fell to DM61.6bn in December last year from DM65.5bn in November and were 2.7 per cent below the DM63.3bn of December 1994. Imports declined to DM54.6bn in December from DM55.3bn the previous month and were 6.9 per cent lower than the DM58.6bn of December 1994.

As a result, December's trade surplus was lower than November's DM10.3bn but higher than the DM4.7bn of the previous December.

Germany's visible trade surplus increased to DM93.4bn last year from DM73.3bn in 1994 as exports rose 5.4 per cent to DM727.6bn from DM690.6bn and imports advanced 2.7 per cent to DM634.2bn from DM617.3bn.

After deducting net investment income together with the balance of trade in services and net transfers, Germany's current account balance of payments recorded a provisional DM3.5bn deficit in December after a DM400m surplus in November and a DM4bn deficit in December 1994. For last year as a whole, the current account deficit fell to DM34.8bn from DM34.7bn in 1994.

The Ifo economic research institute in Munich yesterday cast a further dampener on hopes that the economy would stage a significant recovery this year. A survey of 350 mainly large western German industrial companies indicated that they would increase production by less than 1 per cent this year, compared with expectations of a 2 per cent rise in 1996 when the companies were polled last summer. For 1997, the companies envisaged output growth of only 1.25 per cent.

These reduced expectations coincided with official figures showing that bankruptcies and liquidations reached record levels in both western and eastern Germany last year.

Election juggernaut, Page 2
Editorial Comment, Page 22

UK auction houses face clash with Brussels

Continued from Page 1

industry suffers from the transfer of many contemporary art sales to London. "Sellers prefer to go to London to avoid paying the resale right," said a French official. "Thus there is an artificial distortion of the market."

France has recently been forced to break a 400-year monopoly under which only French houses can hold auctions in France. It acted under pressure from the European Commission, which was responding to a formal complaint from Sotheby's and Christie's.

The draft proposal, to be presented by Mr Mario Monti, the Commissioner responsible for the single market, is expected to calculate the levy as a percentage of the sale price. Provisional rates are 4 per cent for works sold between Ecu1,000 ($1,000) and Ecu50,000; 3 per cent for works sold between Ecu50,000 and Ecu250,000 and 2 per cent for works of more than Ecu250,000.

The proposal will be presented to the Council of Ministers where a qualified majority of member states will be required for it to become law.

Euro Disney plans $980m new town near Paris theme park

By Andrew Jack in Paris

Euro Disney, operator of the Paris-based theme park, plans to develop an ambitious new town including a shopping mall, houses and leisure facilities on the outskirts of its existing site.

The development would be one of the last on such a scale to be approved in France, since the government is debating the introduction of tighter curbs on top of an existing freeze on new large-scale retail centres.

By 2000, Euro Disney plans to open a 90,000 square-metre shopping mall which it hopes will attract some 150 shops, with an estimated catchment area of 400,000 people.

The company will decide within the next few weeks on an "anchor" hypermarket to take a large space in the mall, and on the appointment of a property development company to manage the site.

The town, to be called "Val d'Europe", will encompass 1,500 homes, nearly 370,000 square metres allocated for businesses, as well as public facilities, hotels and restaurants. A second campus of the local university of Marne La Vallée may also be located at the site. The aim is to create more than 2,000 jobs.

The move represents a significant diversification of the group away from its traditional theme park activities, and is said to be the first new town in France in which the initiative has been largely taken by a developer from the private sector.

Executives from Euro Disney Development, the 30-strong real estate arm of the group, are set to unveil details of the plans today at Mipim, the international property profession's annual conference held in Cannes.

Total development costs will top FFr5bn francs ($980m), but Euro Disney, which has limited funds after its financial restructuring in 1994, will provide less than FFr100m. The rest will be "leveraged" from other investors.

Euro Disney will be responsible for the overall layout of the town, and for ensuring a consistent architectural style - including a maximum height restriction of four storeys. Its income will come from a mixture of land sales and leases linked to turnover on commercial premises.

It has already agreed the principles with the local and regional authorities, which will help build a regional railway link into Paris, and another road junction.

The development comes on top of other expansions projects already under way near the park, including a Planet Hollywood theme restaurant to be opened this summer, an eight-screen Gaumont cinema by Christmas, and an enlarged convention centre and concert hall to be completed next year. Euro Disney is studying other ideas including a "virtual reality" centre.

THE LEX COLUMN

Telekom's sales pitch

The latest slippage in Deutsche Telekom's sales by comparison with management forecasts is embarrassing. Quite apart from the fact that profits will be depressed as a result, the implication is that Telekom's management is inclined to over-optimistic predictions. That is worrying, given that the state-owned monopoly is about to be plunged into the icy waters of competition, where over-confident forecasts will cost it dear.

How much damage the sales slippage will cause to Telekom's planned flotation later this year is unclear. In determining its value, the most important figure will be the group's operating cash flow. Indeed, there will be precious little worth to Telekom's equity unless last year's cash flow – which has yet to be published – was close to DM30bn ($20.2bn).

Such a figure, equating to 45 per cent of its DM66bn sales, may seem enormous. But such are Telekom's obligations that a lower figure would rapidly be eaten up. First, the group needs to pay interest on its mind-boggling DM100bn in net debt. Second, it has to finance capital expenditure. Investment has fallen from recent levels, as the cost of building a network in eastern Germany has passed its peak. But it probably cannot be cut much below last year's DM14bn, especially since Telekom has just promised the government that it will accelerate the digitilisation of its network. Third, Telekom will have to pay corporation tax for the first time from this year. Finally, once all this is spent, there will be the small matter of dividends – again a new concept for Telekom.

FT-SE Eurotrack 200: 1643.5 (+1.2)

America Online

Share price relative to the S&P Composite

Source: FT Graph

Online services

The explosive advance of the Internet, where people can roam for free, was supposed to kill off commercial online services which charge. Ironically, online services are turning out to be the biggest beneficiaries of the battle of the "browsers" – the software used to surf the Internet. Netscape and Microsoft have been so anxious to build up market share for their rival browsers that they have fallen over themselves to sign up the two largest online companies, America Online (AOL) and Compuserve. While commercial details have not been revealed, there are suggestions that the online companies are being paid – not vice versa.

What this underlines is that, despite having less content and higher charges than the Web, the online services still add value. This is mainly because their content is well-organised rather than chaotic; they are sleek shopping centres to the Web's vast street bazaar. In an electronic world, both have a role.

One of the ways online companies are remaining competitive is by allowing their customers to wander out of their shopping centres into the bazaar. But the real importance of AOL's latest string of deals is that it is also seeking to attract people from the bazaar into its shopping centre. Netscape will give access to AOL from its Web site, the Internet's most visited; Microsoft will bundle AOL access into the next version of its dominant Windows operating system; and AT&T will give customers of its new Internet service cut-price access to AOL. With such a vote of confidence, no wonder AOL's share price is soaring.

Prudential

Mr Peter Davis, Prudential Corporation's chief executive, has enjoyed a remarkable honeymoon since he took over: the Pru's shares have outperformed the market by 20 per cent. The difficult decisions, though, are about to begin.

Mr Davis has plenty to crow about: yesterday's results were well above expectations. But underlying growth in earnings per share remains an unexciting 9 per cent. And although the Pru is belatedly planning to follow its peers in trying to pin down the ownership of its "orphan assets" – a big surplus built up over decades, a chunk of which arguably belongs to shareholders – this will take time. Protracted negotiations with the government are needed.

It is not surprising, therefore, that Mr Davis is itching to do a big deal. Buying a big mutual insurer, for instance, could provide a highly efficient use of some of the surplus in the Pru's life fund. The potential for economies in merging two life insurers ought to be considerable. And if the Pru makes its move before too many insurers start to demutualise, it should be able to pick up a bargain.

But buying a bank or building society is a much more doubtful proposition. Prices are high, and the outlook for retail banking margins is grim. The Pru would risk buying at the top of the market, and would be taking on a branch network at a time when such networks are having to shrink.

Mr Davis is right to search for a deal which would deliver a step change in the Pru's performance. But when it comes to the hype surrounding convergence in financial services, prudence should be his watchword.

TI Group

After GKN's excellent results last week, TI took up the baton for UK engineers yesterday. In relatively flat markets, the group produced a 10 per cent sales increase and an impressive 20 per cent improvement in underlying profits for 1995. Over the past three years TI has demonstrated its ability to generate decent organic growth. And cash flow, historically one of its weaknesses, has improved markedly under Mr Brian Walsh, finance director. This combination has propelled the shares to a 20 per cent premium to the market.

What can TI do for an encore? The group has three very strong businesses in mechanical seals, automotive tubing and aircraft landing-gear. But these markets are largely mature and aerospace is highly cyclical, though 1997 and 1998 should benefit from a rebound in aircraft production. Margins are already high – at John Crane seals they are 16 per cent. And while TI's recipe of winning market share through better service and value-added products has proved very successful, the group's long-term growth rate is probably no more than 5-10 per cent a year.

The obvious way to add extra sparkle is through acquisitions; now that it has net cash, the group should put its balance sheet to work. However, TI must be careful not to imperil its hard-won premium rating by buying lower quality businesses or overpaying. TI's management certainly deserves investors' confidence; but Siebe and Smiths Industries, which are both trading on similar multiples, have a better record in buying and integrating bolt-on acquisitions.

Additional Lex comment on Wolseley, Page 20

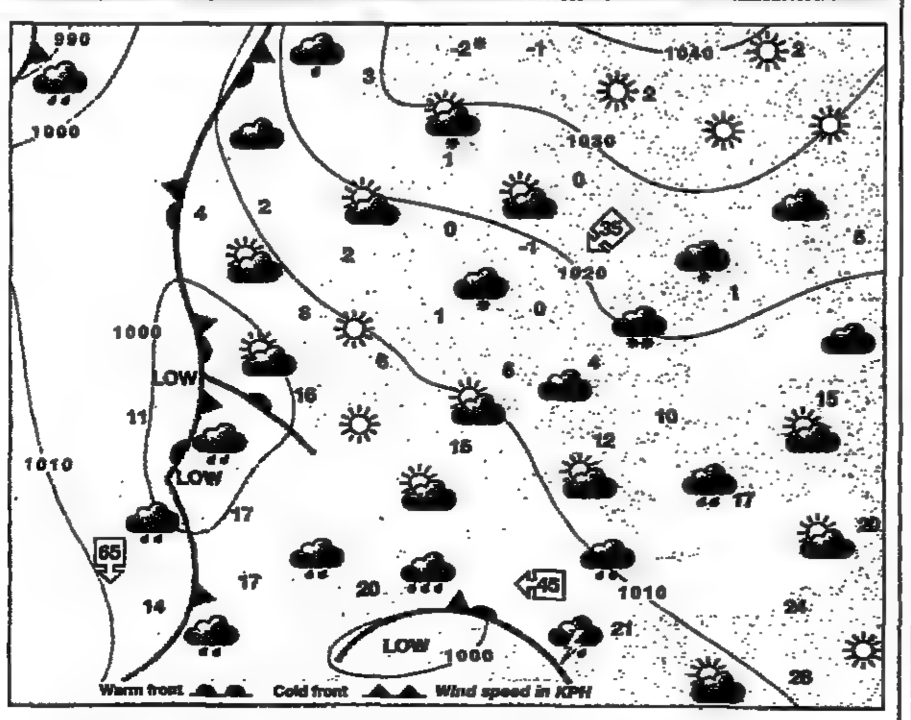
FT WEATHER GUIDE

Europe today

Wintry conditions will prevail across most of the continent. Slovakia, Hungary and northern Romania will have a few centimetres of snow. Germany, the Alps and southern Poland will have snow flurries. Most of the Benelux, England and France will continue rather sunny but cold with maximum temperatures between 1C and 7C. Ireland and Scotland will remain cloudy with outbreaks of rain or sleet especially across Ireland. Western France, Portugal and Spain will also have outbreaks of rain but temperatures will be higher. Italy will continue dry. Greece will start sunny but showers will reach southern Greece later. Southern Scandinavia will remain rather sunny with afternoon readings around freezing.

Five-day forecast

Most of the continent will turn milder with sunny spells. However, a series of depressions will produce numerous thunder showers across the Mediterranean. The UK, western France, Spain and Portugal will remain unsettled with frequent showers or outbreaks of rain. Northern Europe will be rather sunny with maximum temperatures around freezing.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum		Beijing	sun	8	Caracas	cloudy	30	Faro	shower	17	Madrid	rain	13	Rangoon	fair	33
	Celsius		Belfast	sleet	4	Cardiff	fair	4	Frankfurt	fair	2	Majorca	shower	15	Reykjavik	snow	8
Abu Dhabi	sun	26	Belgrade	cloudy	6	Casablanca	shower	14	Geneva	fair	6	Malta	shower	16	Rio	cloudy	25
Accra	shower	32	Berlin	cloudy	-1	Chicago	fair	15	Gibraltar	thund	15	Manchester	fair	4	Rome	fair	15
Algiers	rain	15	Bermuda	rain	23	Cologne	fair	3	Glasgow	fair	4	Manila	cloudy	31	S. Frsco	sun	17
Amsterdam	fair	2	Bogota	cloudy	20	Dakar	sun	22	Hamburg	cloudy	1	Melbourne	fair	20	Seoul	fair	10
Athens	fair	16	Bombay	fair	35	Dallas	windy	28	Helsinki	fair	-1	Mexico City	sun	22	Singapore	fair	32
Atlanta	sun	20	Brussels	sun	3	Delhi	sun	33	Hong Kong	shower	18	Miami	sun	24	Stockholm	fair	2
B. Aires	cloudy	27	Budapest	snow	0	Dubai	sun	26	Honolulu	fair	28	Milan	fair	10	Strasbourg	sun	3
B.ham	fair	2	C.hagen	fair	2	Dublin	sleet	5	Istanbul	rain	9	Montreal	fair	6	Sydney	fair	26
Bangkok	fair	35	Cairo	fair	24	Dubrovnik	fair	14	Jakarta	shower	30	Moscow	sun	3	Tangier	shower	15
Barcelona	fair	13	Cape Town	sun	16	Edinburgh	fair	4	Jersey	fair	6	Munich	snow	-2	Tel Aviv	fair	22
									Karachi	sun	33	Nairobi	fair	29	Tokyo	fair	12
									Kuwait	shower	23	Naples	fair	15	Toronto	fair	9
									L. Angeles	fair	17	Nassau	fair	23	Vancouver	fair	10
									Las Palmas	sun	21	New York	cloudy	11	Venice	fair	9
									Lima	cloudy	26	Nice	fair	13	Vienna	snow	0
									Lisbon	shower	14	Nicosia	fair	19	Warsaw	snow	-2
									London	sun	5	Oslo	fair	0	Washington	sun	14
									Lux.bourg	sun	3	Paris	fair	7	Wellington	fair	19
									Lyon	fair	10	Perth	sun	39	Winnipeg	fair	5
									Madeira	fair	17	Prague	snow	-1	Zurich	fair	5

FINANCIAL TIMES
COMPANIES & MARKETS

Wednesday March 13 1996

IN BRIEF

Caixa in talks to acquire Atlántico

Caixa Catalunya, Spain's third-largest savings bank, is negotiating the acquisition of Banco Atlántico, a leading Barcelona-based bank, for a reported Pta60bn ($480m). The acquisition would represent the biggest domestic takeover of a private bank by a savings institution. Atlántico is controlled by Saudi Arabia's Arab Banking Corporation. Page 14

Garuzzo makes comeback at Olivetti
Mr Giorgio Garuzzo, who resigned last month as chief operating officer of Fiat, the Italian industrial group, was welcomed back to Olivetti as deputy chairman of the Italian computer company. Mr Garuzzo, who began his career with Olivetti in 1962, will be responsible for developing "strategies and alliances at group level". Page 14

BASF eyes Japanese drugs acquisition
BASF, the German chemicals company, is to acquire a Japanese drugs company, with the aim of building a 1 per cent share in the world's second largest drugs market. BASF already has links with Japanese drugs companies, and did not say when the acquisition would be announced. Page 15

Aga rises 22% after Avesta sale
A shift to gas-based technologies in industries as diverse as paper-making and food processing helped Aga, the Swedish industrial gas group, increased underlying profits 22 per cent last year to SKr2.1bn ($309m). Pre-tax earnings were further inflated by a SKr601m gain from the sale of shares in Avesta Sheffield, the Anglo-Swedish steel group Page 15

Japanese resin producers to merge
Japan Synthetic Rubber, Japan's largest producer of plastic resin, is to merge its resin division with Mitsubishi Chemical, the country's leading chemicals group and third largest resin producer, to counter weak domestic demand and increased competition from foreign producers. The pair said they would form the joint venture in July. Page 16

MGM sale expected to raise $1.5bn
The sale by international auction of Metro-Goldwyn-Mayer, a refurbished remnant of Hollywood's glory days, was officially opened by the Lazard Frères investment bank. The French-owned company is expected to fetch between $1.5bn and $2.5bn after bidding closes later this year. Page 17

Clash looms over Nabisco break-up vote
A dispute looks set to break out over the means used by corporate raiders Mr Bennett LeBow and Mr Carl Icahn last month in their bid to win shareholder support for a break-up of RJR Nabisco, the US tobacco and food group. An independent inspection of voting slips is said to have indicated that Mr LeBow lost the vote by a narrow margin, contradicting claims that he had won. Page 17

Pru jumps on hopes of life fund move
Shareholders in Prudential Corporation, the UK's largest life assurer, could gain access to some of assets with undetermined ownership in its long-term life fund, following discussions with the Department of Trade and Industry. The company's shares rose steeply on the news, finishing the day 27p up at 454p. Page 18

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
BMW	806.5	+	13
Kali & Salz	213	+	10.5
SAP AG	206.8	+	12
Siemens	822.5	+	11.5
Falls			
Asko	756	−	19
Varta	261	−	7
NEW YORK ($)			
Rises			
Caribiner Int	21½	+	4½
Gt A&P	26¾	+	3¼
Lile Partners	20	+	4¾
Falls			
Cabletron	85¾	−	3¾
Eli Lilly	61⅞	−	2⅝
Solectron	42¾	−	3⅝
LONDON (Pence)			
Rises			
Br Aerospace	867	+	20
Prudential	454	+	27
Yorks Elec	795	+	25
Falls			
Abbey Natl	534	−	21
Barclays	688	−	26
Lloyds TSB	297	−	15½
TORONTO (C$)			
Rises			
Econ Tech	11¾	+	¾
Hemlo Gold	19	+	1⅛
XWG Res	15⅝	+	1⅛
Falls			
AIT Adv Info	12	−	⅜
Golden Star	19	−	1¼
Pelangio Gold	34	−	2
PARIS (FFr)			
Rises			
CGIP	1226	+	28
Intertechnique	585	+	15
Legris	232.9	+	11.9
Falls			
Air Liquide	857	−	13
Chargeurs	1309	−	39
Radiotechn	491.7	−	18.3
TOKYO (Yen)			
Rises			
Calsonic	795	+	17
Fujisawa Pharm	[illegible]	+	58
Nippon Denko	478	+	[illegible]
Takaoka Elec	610	+	30
Falls			
Central Finance	421	−	25
Omron Corp	2100	−	100
HONG KONG (HK$)			
Rises			
Cheung Kong	51.75	+	2.05
[illegible] Asia A	24.0	+	1.6
New Wrld Inf	18.65	+	1.15
Wing Hang Bk	29.0	+	1.5
Falls			
HK Fortune	0.68	−	0.07
Kingmaker	1.18	−	0.08
BANGKOK (Baht)			
Rises			
Asian Sea Fd	89.0	+	4.00
Dhana Insce	112.0	+	7.0
Goodyear	136.0	+	7.0
Falls			
Bangkok Insce	364.0	−	24.0
Thai Toray	88.5	−	7.5
Varopakorn	24.5	−	2.5

New York and Toronto prices at 12.30pm.

Deutsche Telekom sales fail to meet forecast

By Michael Lindemann in Bonn

Deutsche Telekom, the German telecoms group poised for privatisation, announced that its 1995 sales had risen only 4 per cent to DM66bn ($44.5bn), about DM2bn lower than forecasts made nine months ago.

The company declined to explain the shortfall, insisting that the figures, announced ahead of the Cebit computer trade fair in Hanover, were preliminary. "Sales are not falling," the company said. Final 1995 results are expected in early June.

The privatisation process begins next month with a series of roadshow presentations, and culminates in November with a listing in Frankfurt and on several other bourses.

Mr Ron Sommer, chief executive, also warned that both sales and profits this year would fall by an unspecified sum because the company would be subject to a DM7.5bn charge for value added tax, which it would not be able to pass on to clients. Further reductions in the cost of long distance calls, to be introduced on July 1, would "significantly dent the results", the company said.

Analysts said that while sales growth was slowing at telecoms operators all over Europe because of increased competition, the Deutsche Telekom figures reflected badly on the company. "The sales figures ... don't bode well for longer term prospects," said one analyst at a London investment bank. "They also underline the need for Deutsche Telekom to stop making over-enthusiastic predictions."

At its annual results meeting last June, Deutsche Telekom said 1995 sales would rise 6 per cent to DM68bn, a forecast which was revised to DM67bn in October.

Deutsche Telekom yesterday said debts fell DM15.5bn to DM108bn, in part because personnel costs had fallen after the company shed more than 15,000 employees last year. It was also benefitting from increased competition among suppliers, which had forced costs down, and had scaled back its own investments in eastern Germany.

Mr Sommer said the company was reorganising its activities into nine operating areas ahead of the planned stock exchange listing in November. "Going public can be fully successful only if the company rebuilds its entire structure," he said.

Executives at the company last year privately cast doubt on earlier predictions that sales in 2000 would reach DM80bn, arguing that competition from other operators had come much sooner than expected. However, the company expects sales of new services, or updated ones such as online and broadband ISDN, to make up for at least some of the shortfall

It said yesterday that the number of ISDN connections had risen by 70 per cent last year to 3.3m, representing the world's largest ISDN network.

Europe's biggest toy company looks at range of activities to lift sales

Lego plans to spend $2bn on 15 parks

By Peter Marsh in Billund, Denmark

Most of the population of the developed world will be within driving distance of a Lego theme park under a plan by the Danish toy company plans to spend about £1.3bn ($2bn) building 15 new parks next century.

The parks are part of a scheme by the privately owned Lego, Europe's biggest toy maker and among the world's biggest seven toy companies, to increase sales by pushing its brand name deeper into a range of other activities.

Disclosure of the plans follows an announcement last month that the company is forming an alliance with Mindscape, a US software company owned by Pearson, publisher of the Financial Times, to develop interactive compact disc software systems featuring Lego play activities. The first of these products is due to be unveiled later this year.

Lego is examining sites on the east coast of the US, eastern Asia and southern Europe for the chain of 15 parks, which would be built by around 2050. They would follow the company's existing Legoland theme park at its headquarters in Billund, Denmark. A second one is due to open in Windsor, UK, later this month and a third is planned to open near San Diego, southern California, in 1999.

The sites should cost roughly £90m each to develop.

"We look at this [the theme parks project] as a very interesting business," said Mr Kjeld Kirk Kristiansen, Lego's president and majority stakeholder, yesterday. "There is a lot of synergy between people getting the best possible experience from our theme parks and being inspired to buy our products," he said.

Lego, which has nearly 9,000 staff in 26 countries, does not reveal its annual sales, but these are estimated in the toy industry at about $1.4bn.

The company is estimated to have made more than 100bn plastic bricks and other units such as miniature pirates, parrots and spacemen since 1932 when it was started as a supplier of wooden toys by Mr Kristiansen's grandfather. It spends an estimated £100m a year on improving its production.

The UK park is budgeted to receive about 1.4m visitors in its first year who would spend roughly £25m on entrance fees and other purchases.

Tony Andrews
Bricklayer: a workman at the UK park to be opened later this month

Willamette buys up Hanson forestry arm for $1.59bn

By David Wighton in London

Hanson, the UK industrial conglomerate, yesterday announced it had sold its remaining US forestry interests for a better than expected price of $1.59bn. The buyer is Willamette Industries, the Oregon-based forest products group.

The deal takes to $2.09bn the amount raised from the sale of Cavenham Forest Products, which is part of a £2bn ($3.06bn) disposal programme Hanson announced in December.

Mr Bill Landuyt, chief executive of Hanson's US arm, said: "Over the last two weeks we have announced combined proceeds of over $2.8bn (£1.8bn) from the Cavenham sales and the Suburban Propane public offer. The sales place us well ahead of schedule on our £2bn disposal programme."

Hanson's shares rose 2½p to 182p on the disposal, which the company said would not dilute earnings per share. The shares have recovered from a recent low of 179p, though they are still below the 204½p at which they stood before the group's proposed four-way demerger was announced six weeks ago.

Willamette's share price slipped $1¼ to $56¼ on Nasdaq in early trading as credit rating agencies said they were reviewing its debt for possible downgrade. Willamette said it would fund the acquisition with debt but would sell on some of the acreage. It has agreed to sell 207,000 in Washington and Oregon to Crown Pacific Partners for $205m and 230,000 acres in Louisiana to Temple-Inland for $90m.

The Hanson disposal comprises 1.09m acres, including 502,000 acres of timberland and a sawmill in Oregon, 200,000 acres in Washington and 386,000 in Louisiana. Cavenham, which Hanson acquired for $1.3bn in an asset swap with Sir James Goldsmith in 1990, saw profits fall to £95m, from £117m, last year.

It has net assets of £980m in Hanson's books, and the company said its disposal and the Suburban offer would give rise to a "significant" pre-tax gain.

Analysts estimate the disposals agreed so far will cut Hanson's debt to about £3.4bn after allowing for the £195m associated with the acquisition of Desimpel Kortemark, the Belgian brick maker.

Magellan fund continues to cut weighting in shares

By Maggie Urry in New York

The closely-watched Magellan mutual fund, Fidelity Investments' leading fund, continued to cut its equity holdings in January and build its weighting in bonds and cash. Analysts said the fund's 65.3 per cent equity weighting at the end of January was the lowest they could remember for it.

The Magellan fund, managed by Mr Jeff Vinik, has an aggressive growth strategy and aims to invest mainly in US and international equities. At the end of April last year it had more than 99 per cent of its portfolio in shares. However, in November the $55.5bn fund cut its heavy weighting in technology stocks, the sector which had led the US stock market higher in 1995.

The technology weighting fell from 43.2 per cent at the end of October to 5.8 per cent at the end of January, according to figures published yesterday by Fidelity. However, Mr Vinik appears to have bought shares in Digital Equipment, the computer group, in January as it became one of the fund's top 10 holdings.

Mr Vinik has invested proceeds from equity sales in the US bond market, accounting for 18.9 per cent of the fund at the end of January, and has a further 15.8 per cent in cash. Five of the fund's top 10 holdings were in US Treasury notes and bonds.

The shift from equities to bonds has hurt the fund's performance this year. Even after recent weakness, the Dow Jones Industrial Average has risen around 400 points, or 8 per cent, while the bond market has fallen.

In the Lipper Analytical mutual fund tables calculated late last month, Magellan's one-year performance ranked 258 out of 570 growth funds.

Mr Vinik has not been moved in a shake-up of portfolio managers at Fidelity, involving managers of 26 equity funds. Fidelity said the reshuffle was part of a realignment of its equity division, from four to eight teams.

Mr William Hayes, director of equity investments, said the new structure "enhances our ability to work in smaller groups sharing ideas among funds with similar investment disciplines".

Among management changes, Mr Robert Beckwitt has been moved from running several asset manager funds, which had underperformed in 1994 and 1995, to develop funds for institutional retirement plans. Mr Dan Frank has given up management of the Strategic Opportunities fund, which invests in special situations, with immediate effect. All other changes take place on April 1.

Fidelity said it had yet to agree with Mr Frank what his future role is to be. He had run the fund since 1984.

Barry Riley

Bonds, equities and the shadow of 1994

Once again, the world's stock markets cannot figure out how to respond to a bond market shakeout. The losses in equities after Wall Street's sudden panic on Friday were partly regained. In the bond markets, though, the recovery has been stillborn and fears persist that there may be a re-run of the 1994 crash.

The distortion of the relationship between bonds and equities is a familiar theme. Arbitrage between the two markets is poor, as different forces are at work.

Thus, one statistic that shocked the US Treasury bond market last week, quite apart from the devastating jump in the non-farm payroll, was the scale of the buying by foreign central banks (chiefly the Bank of Japan). In a week, it transpired, support for Treasuries had been around $18bn, and in a month $40bn. Yet yields had risen.

We can deduce a sequence of events in February. First, there was a large-scale unwinding of the notorious and unstable "carry trade" through which hedge funds and banks have been financing purchases of Treasuries by borrowing yen at ½ per cent. This may have been triggered by losses on Treasuries (in the extreme case, the long bond has now fallen in price by around 12 percentage points since the beginning of the year) and by intermittent signs of yen appreciation.

The repayment of the yen will tend to strengthen that currency, which anyway tends to be firm at this time of year as Japanese financial institutions repatriate assets ahead of the March 31 fiscal year-end.

But at any sign the yen is climbing, the Bank of Japan's stabilisation forces will be brought to bear. Such intervention has clearly been massive in the past few weeks, and the dollars have been rapidly recycled into the US bond market. The net result has been the transfer of bonds of the order of $40bn in a month from speculators to the Bank of Japan and its allies, and a marked further steepening of the yield curve, reflecting the risk-averse central bank's preference for shorter dates.

When differing investors dominate, so can incompatible views

Incidentally, instead of being significantly lower, US bond yields have now moved fairly close to those on German government debt, giving an indication of how much the Treasury market was previously relying on the leveraged players.

Now for equities. Wall Street has come under the influence of the mutual funds, which have been pumping around $20bn a month into equities. Mutual fund investors have become used to a persistent upwards price trend with low volatility; even the 1987 crash has faded into distant memory and looks like no more than a minor blip on the long-term charts.

On these assumptions, any setback becomes a buying opportunity. This certainly appears to have been the response on Monday. But price-chasing attitudes leave out the question of value. Professional investors last Friday, on the other hand, felt a further sharp jump in bond yields and a rise in the bond-equity yield ratio to dangerous heights required a response.

A general theme is that in several important countries the basic equities versus bonds decision is not being made by core domestic investors. In the US, the bond markets are being supported by strong foreign buying while there is almost zero overseas interest in US equities. In Japan it is the other way around: foreigners have been heavy net buyers of stocks while only domestic buyers are attracted by bonds yielding 3 per cent.

As for Germany, domestic investors are always reluctant to buy bonds when yields fall below 6 per cent, and the rise in the ten-year bund yield from 5.9 to 6.6 per cent in a month could prove healthy if it helps the Bundesbank to correct the recent blip in monetary growth.

When different types of investors dominate, incompatible views can hold sway. The US Treasury market, for instance, appears to have been fixated on possible recession (a view dashed by the jobs data) while equities have been relying on continued, albeit modest, growth.

The danger now is of a 1994 scenario: that bond yields may have to rise further for long-term investors to accommodate the exits of further leveraged players.

EUROPEAN NEWS DIGEST

SGS ahead 11% despite US losses

Société Générale de Surveillance, the world's largest inspection and testing group, has reported an 11.1 per cent rise in 1995 net profit to SFr230.4m ($191.77m), despite continuing large losses in its US insurance adjusting business. The result was slightly below investors' expectations, but the bearer shares rose SFr95 to SFr2,395 on the Swiss stock market.

The directors were confident that profits would improve this year, partly because of an expected return to profit of the insurance adjusting side. Also, the cash-rich group recommended a 12 per cent rise in dividends to SFr11.20 per registered share and SFr56 per bearer share. Revenues were down 1.7 per cent to SFr2.63bn, but up 8.1 per cent in local currencies. Trading profits edged up 2 per cent to SFr250m. and Mrs Elisabeth Salina, chairman, said growth was depressed partly by currency translations and partly by the SFr18.6m operating loss at GAB Robins North America.

Net financial revenues jumped 36.4 per cent to SFr49.5m, reflecting the dissolution of provisions made in 1994 against sharp falls in security values. Pre-tax profit was ahead 10.8 per cent to SFr238.2m.

Ian Rodger, Geneva

Air Europe plans float by 1999

Air Europe, the Italian charter airline which rose from the ashes of International Leisure Group, the collapsed UK travel company, is planning a stock exchange listing within three years. Sopaf, the Milan-based financial group, yesterday announced the purchase of an 18.5 per cent stake in Air Europe, through a fund called Invest Equity Partners, with a view to funding growth and eventually bringing the company to the stock market.

Air Europe was originally a scheduled airline, grounded by the 1991 collapse of ILG, its parent company. But management bought a stake in the Italian affiliate from the administrators and continued flying under the same name.

Sopaf, which has helped a number of medium-sized Italian companies to the stock market in the past year, has spent about $9m subscribing to the capital increase and buying shares from management. The capital increase, together with the full payment of unpaid rights to Air Europe shares, will raise $7m for the company, and leave the management buy-out team with 56.9 per cent of the group. Alitalia owns the remaining 24.6 per cent.

Andrew Hill, Milan

SGL Carbon reaches target

SGL Carbon, the German manufacturer of graphite and carbon products, established itself as one of the country's most profitable quoted companies, with a return on turnover of 17 per cent in 1995, up from 11 per cent in 1994, according to annual results released yesterday.

The company came to the German market last April, when Hoechst, the chemical group, floated off a 50 per cent stake. Hoechst still owns the remaining half. Mr Robert Koehler, chairman, said SGL Carbon had reached its profitability targets one year ahead of schedule. SGL Carbon is the world's largest producer of carbon and graphite products. It reported a rise in turnover from DM1.44bn to DM1.57bn ($1.06bn) last year, with pre-tax profits of DM234m, up 61 per cent. The supervisory and management boards proposed a dividend of DM1.67 per share.

Wolfgang Münchau, Frankfurt

Caixa Catalunya set to buy Banco Atlántico

By Tom Burns in Madrid

Caixa Catalunya, Spain's third-ranked savings bank, is negotiating the acquisition of Banco Atlántico, a leading Barcelona-based medium-sized bank, for a reported price of some Pta60bn ($480m). If it went ahead, the acquisition would represent the biggest domestic takeover of a private bank by a savings institution.

The purchase, if agreed, would intensify the rivalry between the private and the savings banks, the twin pillars of Spain's financial system. The private banks, which are legally barred from acquiring savings banks, allege they are subjected to unfair competition.

Atlántico is controlled by Saudi Arabia's Arab Banking Corporation, which owns 72 per cent of its equity; Argentaria, the partially privatised state-banking group, owns a 24 per cent stake. It is understood that Caixa Catalunya would acquire 40 per cent of Atlántico's equity, including the entire Argentaria-owned stake, for Pta25bn, in a first phase of the takeover, with an undertaking to pay a further Pta35bn for the outright acquisition of the bank.

Argentaria, which is currently disposing of 25 per cent of its equity through a global offering that will reduce the government's shareholding to 25 per cent, has been anxious to sell its stake in Atlántico for more than a year. Caixa Catalunya bought a small subsidiary bank, Banco de la Exportación, from Atlántico in 1991 for Pta6bn and made its initial approach to acquire the parent bank last year.

Caixa Catalunya is chiefly interested in Atlántico's commercial potential, for the bank has deposits of nearly Pta800bn and a loan portfolio of around Pta400bn. Should it acquire Atlántico, the savings bank will add 300 branches, mostly well positioned in Spain's chief urban centres, to its nearly 700-strong network, and it will double its consolidated assets to Pta3,500bn to become Spain's seventh largest financial institution.

Atlántico had profits of Pta3.7bn after provisions of Pta4.8bn for non-performing loans last year, and the reported purchase price is the equivalent of its market capitalisation.

Caixa Catalunya's planned advance into the private banking sector mirrors that of its local competitor in Catalonia, known simply as La Caixa, Europe's biggest savings bank. In 1995, La Caixa acquired control of two private banks for Pta57.8bn. These acquisitions unsettled the private banks, which are encountering increasingly narrowed margins, and Caixa Catalunya's ambitious takeover is likely to distress them further.

A recurring complaint voiced by the private banks is that they pay an average of 50 per cent of their profits to shareholders, whereas the savings banks allocate some 25 per cent of their income to so-called social works. The issue of unfair competition between the two sectors was raised last year by the Madrid-based Tribunal for the Defence of Competition, a government agency, but the dispute remains unresolved.

Garuzzo moves from acrimony to a challenge

By Andrew Hill

Garuzzo: moved to Olivetti yesterday after 20 years with Fiat

Mr Giorgio Garuzzo, who resigned amid acrimony last month as chief operating officer of Fiat, the Italian industrial group, yesterday returned to Olivetti as deputy chairman of the computer company.

The former Fiat executive, who began his career with Olivetti in 1962, will be responsible for developing "strategies and alliances at group level".

Mr Garuzzo was co-opted on to the board of the Ivrea-based company, which is struggling to convince shareholders it has a future in the personal computer sector.

It was not clear whether Mr Carlo De Benedetti, Olivetti's chairman, approached Mr Garuzzo or vice versa, but the appointment reunites the careers of the two men for the first time in 20 years.

They worked together at Gilardini, the industrial components business owned by the De Benedetti family, in the 1970s, and Mr De Benedetti took Mr Garuzzo with him to Fiat in 1976 during his short-lived and unhappy spell as chief executive of the automotive and industrial group. Mr De Benedetti left and went on to take control of Olivetti, but Mr Garuzzo stayed and rose to become number three in the Fiat hierarchy.

Last month, however, an upset Mr Garuzzo left Fiat after he was passed over for the job of chief executive in the management reshuffle prompted by Mr Gianni Agnelli's resignation as Fiat chairman. Mr Cesare Romiti graduated from chief executive to chairman, but it was Mr Paolo Cantarella, head of Fiat Auto, the cars division, who took Mr Romiti's place.

In what seemed a pointed reference to Mr Garuzzo's grievances, Olivetti attached to yesterday's announcement a long list of Fiat developments which benefited from his "direct participation and personal contribution", ending with "management of the emergency, relaunch and strategic redefinition of Fiat Auto" between 1991 and 1995.

Olivetti said yesterday that alliances were fundamental for the group as it tried to reposition itself as a broad-based information technology and telecommunications group.

But Mr Garuzzo, 57, faces a challenge at Olivetti if he is to match his success at Fiat. Olivetti's share price has come under new strain in recent weeks as rival personal computer manufacturers either cut prices or pull out of the competitive market altogether. Shortly after the announcement of Mr Garuzzo's appointment yesterday, the shares closed down L20.7 at L797.3.

Mr De Benedetti has set himself a deadline of mid-1996 to demonstrate that the company is recovering from the heavy losses of the past few years.

Investcorp poised to sell its remaining Gucci stake

By Andrew Hill in Milan

Investcorp, the Bahrain-based investment group, is poised to sell all its shares in Gucci, the Italian manufacturer of luxury goods and clothes, in a follow-up to its successful sale of a 48.2 per cent stake last year in New York.

Gucci, which last week paraded its latest clothing collection in Milan to great acclaim, also announced a net profit for the year to January 31 of $81.4m, compared with $17.3m last time.

Gucci shares were in heavy demand in last October's offer, and they have risen to nearly double the offer price of $22 since. If Investcorp succeeds in selling all its shares through Codia, which it controls indirectly, at current trading prices it could raise as much as $1.3bn for its wealthy Arab backers.

A further sale of shares should help ease illiquidity in the stock – which is traded in New York, Amsterdam, and on Seaq International – and fulfil demand left over from last year.

Mr Johannes Huth, a member of Investcorp's management committee, said yesterday the group's investments were normally held for a three- to five-year period. Investcorp started negotiating for a stake in Gucci in 1987. "Our business is buying and selling companies and while we may fall in love with some of them, there comes a time when we have to part company," said Mr Huth.

Net revenue at Gucci nearly doubled to $500m in 1995, against $264m. Earnings per share increased from 38 cents to $1.65 on a weighted basis. Sales last year more than doubled in the US, Italy, Japan and east Asia.

The latest offer will be structured in a similar way to last year's deal. Investcorp intends to place an initial 26.4m shares through a global offer, holding back nearly 4m for an "over-allotment" option, to be sold if there is sufficient demand.

Investcorp has again appointed Morgan Stanley as global co-ordinator for the offer, which should be priced towards the end of this month, and has promoted CS First Boston to joint lead manager alongside Morgan Stanley.

Salomon Brothers is co-manager for the US tranche of shares; Salomon and Cazenove will be joint lead managers for the international tranche.

Portugal Telecom advances 44%

By Peter Wise in Lisbon

Shares in Portugal Telecom reached a record high yesterday after the group reported a 44 per cent increase in net consolidated profit, to Es36.2bn ($236m) in 1995 from Es25.1bn in 1994.

The shares closed at Es3,519, up from Es3,493 on Monday, a 25.7 per cent gain since 27 per cent of PT was privatised at Es2,800 a share in an initial public offer last June.

A 17.1 per cent reduction in net financial costs to Es25.8bn, driven largely by lower interest rates, helped lift profits above analysts' expectations. The group will pay a dividend of Es91 a share.

Mr Luis Todo Bom, outgoing PT president, said a global offer of a further 22 per cent of the group was likely to be made by mid-1996. An international partner is expected to acquire an additional 20 per cent early next year.

This will require repealing a law that limits private-sector ownership of PT to 51 per cent. The socialist government has indicated that 20 per cent of the group will be kept in state hands until the full liberalisation of Portugal's telecoms sector, currently scheduled for 2003 under EU rules.

PT said total debt grew by only Es3.2bn, despite a 34 per cent rise in investment to Es116bn and a 34 per cent increase in pension and other provisions to Es60.8bn. Analysts said this was achieved mainly because of a 15 per cent increase in cash flow to Es155.4bn.

Efficiency gains were reflected in a 10.5 per cent increase in operating profit to Es129.1bn. PT said operating costs increased by only 4.6 per cent to Es325.8bn as a result of cost cutting and streamlining operations. Staff costs grew by 6.6 per cent, representing 22.3 per cent of total revenue, down from 22.8 per cent in 1994. The number of employees fell to 20,241 in 1995 from 21,279.

Total revenue from telecom services rose 8.9 per cent to Es436.7bn. PT increased tariffs by an average of 2.2 per cent in 1995, below annual inflation of 4.2 per cent.

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BASF set to buy Japan drugs company

By Jenny Luesby in London, Wolfgang Münchau in Frankfurt and Emiko Terazono in Tokyo

BASF, the German chemicals company, is set to acquire a Japanese drugs company, with the aim of building a 1 per cent share in the world's second largest drugs market.

"We will not reach this goal with one acquisition," BASF said. But it expected to conclude a deal with the Japanese company that would give it "a platform from which to build".

BASF, whose supervisory board chairman is Mr Jurgen Strube, already has links with Japanese drugs companies, including a research tie-up with Mitsui Pharmaceuticals. However, the country's pharmaceuticals sector includes 1,640 drug makers, with more than 100 viewed as potential targets.

Many foreign drugs companies have established themselves in Japan by investing in R&D centres and sales forces, but BASF has said repeatedly that it intends to keep expanding its drugs business through acquisitions. It remains a relatively small competitor in pharmaceuticals, and has identified a 1 per cent market share as "critical mass". BASF would not say when the Japanese buy would be announced, but it would not coincide with its annual financial press conference on March 26.

It yesterday issued preliminary figures which highlighted the slowdown in chemical demand in the second half.

Sales of DM46.2bn ($31.2bn) last year were up from DM43.7bn in 1994, but second-half turnover was DM20.6bn, compared with DM25.6bn in the first half. Pre-tax profits were evenly spread over the year, to reach DM4.13bn, up 67 per cent on the previous year.

This suggested an improvement in profit margins in the second half, despite the sharp fall in chemicals prices, said one analyst. But another cautioned that uncertainties remained, "because of the lack of detailed information".

Jurgen Strube: his company already has links with Japan

The markets, nonetheless welcomed the strength of BASF's results, on the back of which it proposed a rise in the dividend from DM10 a share to DM14. BASF shares closed up 2.3 per cent at DM376.

Shares in Bayer also rose on its preliminary results, but later fell back to close at DM468.50, up 1.7 per cent on the day. The group reported a 27.1 per cent rise in pre-tax profits, to DM4.19bn, on sales up 2.7 per cent, at DM44.6bn.

The profits growth was in line with expectations, but analysts were puzzled at the relatively small rise in earnings per share (DVFA) – from DM30 to DM34. Bayer raised its payout DM2 to DM15 per share.

Bayer also reported a fall in capital expenditure from DM3.53bn to DM3.17bn, of which DM1.46bn was spent on acquisitions. R&D went up from DM3.18bn to DM3.26bn.

Pliva aims to put Croatia on investors' maps

Zagreb hopes drug group's issue will lift country's profile abroad, writes Gavin Gray

In 1981, researchers at Pliva, a Croatian pharmaceuticals company, discovered a seemingly promising antibiotic which they called azithromycin. Fifteen years on, and after the signing of a licensing agreement with Pfizer of the US, the drug has surpassed all expectations.

Whether the strength of the cash flow that this generates for Pliva outweighs the political risk of investing in Croatia is a question institutional investors will be mulling over this week, as a roadshow opens in Europe for the company's forthcoming international equity issue.

The Croatian government is selling 31 per cent of the company's stock at an indicative price of K4,150 to K5,100 a share, valuing the company at $415m to $510m.

This is the first international offering for a Croatian company, and it probably would not have proceeded this far without the reduction in political risk brought about by the Croatian army's assault last August on Krajina, a rebel Serb held region that constituted more than 20 per cent of the country.

With Krajina in its hands, Croatia has succeeded in restoring transport and economic links severed when Yugoslavia broke up in 1991. Last year's signing of the Dayton peace agreement for Bosnia has also reduced the residual risk of investing in Croatia.

Pliva has been picked for this inaugural issue in an attempt by the Croatian government to convince investors that the economy has not been comprehensively wrecked in the past five years.

The shares and Global Depositary Receipts are due to start trading on the London Stock Exchange on April 11 – the first time an east European industrial company will be listed in London – and the Croatian government hopes this will lift the country's profile abroad.

Only one of Pliva's factories, in its non-core food products division, fell into Serb hands. This was recovered intact last summer.

The company has replaced the markets it lost with the splintering of Yugoslavia partly by selling branded drugs in eastern Europe, while in western Europe it has stepped up sales of bulk pharmaceuticals; it is the world's fifth-largest producer of vitamin C.

This rapid recovery helped lift sales to $400m last year, matching pre-war levels and making Pliva the largest pharmaceuticals group in central and eastern Europe.

PLIVA

Year	Revenue*	Net profit*
1993	286	36
1994	323	72
1995	399	77

* $ million. Source: Company results

The strength of its management team is underlined, the government believes, by the decision to privatise through a sale to institutional investors at a time when some of eastern Europe's leading pharmaceuticals companies, such as Galena in the Czech Republic and Biogal in Hungary, have been forced into the hands of multinationals.

"Pliva has a long tradition in research and development and we don't see a need for a strategic partner. Azithromycin is a blockbuster product which will give us the opportunity to develop as an independent company," said Mr Zeljko Covic, the company's president.

Pliva patented azithromycin in 1982 and in 1986 gave a licence for the US and western Europe to Pfizer, which is selling it under the brand name Zithromax.

The patent for the US is protected until 2005. Pliva uses the name Sumamed for its sales in eastern Europe and the former Soviet Union. The drug is a macrolite antibiotic, suitable for treating respiratory and some sexually transmitted diseases. It was an instant hit because dosing is simpler and it produces quicker results.

Pliva also has an agreement to supply Pfizer with azithromycin in bulk, providing a third source of earnings in addition to licensing royalties and its own sales. The company was sternly tested in late-1991 when war broke out and the Yugoslav army bombed Zagreb, the Croatian capital and location for most of Pliva's factories.

Mr Zelimir Vukina, Pliva's vice-president of marketing and sales, recalls running telephone cables from his office to nearby bunkers to remain in touch with clients.

This year, the company is once again under pressure to maintain supplies, but now because its factories are working at full capacity.

It is investing $100m to build a new factory outside Zagreb to expand capacity and the European Bank for Reconstruction and Development has extended a $30m loan to finance this.

The equity offering is priced on a prospective multiple of 5 to 6.14 times, whereas the largest listed Hungarian drugs group, Gideon Richter, has been trading on a multiple of 9 times earnings.

According to one pharmaceuticals analyst, Pliva's earnings are of a much higher quality than those of Gideon Richter, since there is no need to operate a large sales division to sustain them. The question for investors is whether this is enough to counterbalance the extra political risk.

Shift to gas helps Aga to 22% rise

By Hugh Carnegy in Stockholm

A shift to gas-based technologies in industries as diverse as paper-making and food processing helped Aga, the Swedish industrial gas group, to increase underlying profits by 22 per cent last year.

Aga, ranked fifth in its sector in the world, said profits after financial items rose from SKr1.7bn in 1994 to SKr2.1bn ($307.3m). Pre-tax earnings were further inflated by a SKr601m gain from the sale of shares in the Anglo-Swedish steel group Avesta Sheffield, hoisting the before-tax surplus to SKr2.7bn, compared with SKr1.7bn last time.

Mr Marcus Storch, chief executive, said the effect of a recent strengthening of the Swedish krona and an anticipated poorer performance by Aga's power associate, Gullspangs Kraft, meant underlying profits were likely to remain this year at 1995 levels.

Profits slipped in the fourth quarter of last year, with earnings after financial items falling from SKr543m in the last quarter of 1994 to SKr506m in the final quarter of 1995. The reverse reflected weaker economic trends in South America, the US and some European countries.

But Mr Storch said the slower trend was not universal and growth in demand for gas products remained healthy, driven in large part by technological changes which resulted in greater use of gas in a range of industrial processes. This meant demand for industrial gases was about double underlying gdp growth trends.

Aga's group sales rose 6 per cent in 1995 from SKr12.5bn to SKr13.3bn. Developments which have opened up new demand for gas recently have included the switch from chlorine- to oxygen-based bleaching processes by the pulp and paper industry, a move to liquid gas freezing techniques by the food industry and the use of gases in areas such as waste-water treatment and pharmaceutical preparations.

EUROPEAN NEWS DIGEST

Fokker's chances of rescue 'slim'

Fokker, the Dutch aircraft maker racing to find a corporate saviour, said yesterday that prospects of a rescue by Friday's deadline looked bleak. Mr Ben van Schaik, management board chairman, told a rally of workers outside the company's main factory that Fokker was still in talks with two Asian parties potentially interested in taking over its assets, Samsung of South Korea and Aviation Industries of China (Avic).

"I have not given up on the possibility that there will be a positive conclusion this week, but chances are quite slim," he said. Bridging credit supplied by the Dutch state runs out on Friday, setting a deadline for negotiations unless the government steps in with another short-term financial package.

Hopes are pinned on Samsung and Avic because Dutch bankers and financiers are not expected to be prepared to invest in a slimmed-down Fokker unless the company finds a strong industrial partner. In 1993, the government's desire for Fokker to become part of a larger industrial concern led to the sale of a controlling stake in the company to Daimler-Benz Aerospace of Germany. But this partnership unravelled in January after the German company refused to put up new funds to keep loss-making Fokker afloat.

The Fokker group employs 7,000 people. If it collapsed, smaller units in fields such as defence-contracting and aircraft maintenance might be salvaged, but the main aircraft-assembly business would be closed with the loss of about 5,000 jobs. *Ronald van de Krol, Amsterdam.*

French specialist bank ahead

Banque Française du Commerce Extérieur, the specialist banking group recently taken over by Crédit National, yesterday reported net income up 14 per cent to FFr255m ($50m) for 1995. Banking income rose 6 per cent to FFr2.3bn, and operating income was up 12 per cent to FFr792m. The group said it had managed to boost market share despite a loss in business from the French state, tight margins, and the effects of the fall in the dollar.

The bank took general provisions of FFr80m, and a series of specific write-downs, including FFr141m against its exposure to Eurotunnel, operator of the Channel tunnel rail link.

It said 1996 would be marked by its integration with Crédit National, which holds 88.26 per cent of the shares, with the remainder split between the Bank of France and the Caisse Française de Développement.

Andrew Jack, Paris

Sanofi in Rotta Research link

French drugs group Sanofi, a unit of Elf Aquitaine, said it had signed a worldwide commercial agreement for product development and research with Rotta Research of Italy. The alliance involves six products of Rotta Research in more than 50 countries. These do not include US or Canada, for which negotiations are still under way.

The alliance will take the form of various licences, distribution accords or joint ventures, but Sanofi and Rotta will remain independent. Sanofi will market all the Rotta products and will have access to future Rotta products. Sanofi will be able to strengthen its position on the market for treatment of osteoporosis and menopause while Rotta research will benefit from the wide presence of Sanofi's international sales network.

Sanofi said sales of the products included in the agreement could amount to FFr1bn ($197m) a year for the company. *Reuter, Paris*

INTERNATIONAL COMPANIES AND FINANCE

ASIA-PACIFIC NEWS DIGEST

Earnings forecast doubled at JVC

Full-year net profits at JVC, the Japanese consumer electronics company, are now expected to reach Y2bn ($18m), double the company's earlier estimate for the 12 months to the end of this month. The company also plans to restore shareholder dividends.

The revised estimate comes despite lower-than-expected sales of Y555bn compared with an earlier forecast of Y560bn. Recurring profits – before extraordinary items and tax – are now *forecast to be Y5bn rather than Y4bn; recurring profits* last year were just Y1.04bn.

The lower sales reflect the impact of currency fluctuations as well as the separation of a karaoke systems business into an independent company. Recurring profits will be higher, nonetheless, as a result of a strong contribution from component sales and the increase in higher margin products such as wide-screen TVs and higher quality video equipment. The results will also reflect the sale of certain properties.

JVC is taking an extraordinary loss of Y5.5bn to cover capital injections into its Shanghai operations and a joint venture it has with Hughes Electronics of the US.

In Shanghai, a fall in audio equipment sales and a resulting build up of inventory has necessitated further marketing support. In the US, JVC is increasing its stake in a joint venture it has with Hughes in large projection systems, from 40 per cent to 80 per cent. *Michiyo Nakamoto, Tokyo*

Ashton Mining profits slip

Ashton Mining, the Australian diamond miner in which Malaysia Mining Corporation has a significant stake, yesterday announced a fall in after-tax profits from A$31.7m to A$24.1m (US$18.52m) in 1995. Its diamond sales revenue was A$190.4m, compared with A$186.5m.

Ashton, which has a stake in Australia's large Argyle diamond mine along with London-based RTZ-CRA, the majority partner, said that the result had been affected by the *Central Selling Organisation's 10 per cent price reduction for* rough diamonds, and also by the "continued 15 per cent level of deferred purchases". The CSO, the diamond industry cartel which is responsible for more than half the world's trade in rough diamonds, is controlled by the De Beers group.

Ashton and *RTZ-CRA have threatened to stop selling* through the CSO when the five-year marketing agreement expires in June – with Ashton, in particular, expressing frustration and the deferred purchase programme and the price cut.

Yesterday, Ashton reaffirmed that "the Argyle joint venture partners are considering their own marketing options ahead of the mid-year terminations of the current CSO sales contract". However, De Beers said recently that negotiations over a new *agreement were under way.* *Nikki Tait, Sydney*

Watchdog blocks Wattyl buy

Australia's new Competition and Consumer Commission *yesterday moved to block Wattyl, the listed Australian paint* manufacturer, from purchasing the architectural and decorative paint business of Taubmans, part of the Courtaulds group in the UK.

The deal, said to be worth around A$40m (US$30.74m), was announced last October, and the ACCC had already warned that it might breach the Trade Practices Act on competition grounds. Yesterday, the competition watchdog formally filed proceedings in the Federal Court seeking to restrain Wattyl from completing the agreement.

The ACCC said that it had taken the action because the deal would remove a large competitor from the market, and concentrate business in two companies' hands. It estimated that Dulux, part of the ICI group of the UK, and the merged Wattyl/Taubmans group *would account for almost 80* per cent of total architectural and decorative paint manufacturing market.

Wattyl had argued that the deal would bring efficiency gains and allow it to increase activities outside the Australian market, and also bring its market share into line with Dulux's. But the ACCC rejected arguements that Taubmans and Wattyl were not currently effective competitors to Dulux. Instead, it concluded: "The ACCC believes that the structure of the paint market, particularly the high barrier to successful entry as well as the widespread vertical arrangements, is such that, after the merger, the parties are likely to charge higher prices." *Nikki Tait*

■ The Sydney Futures Exchange is to extend its electronic link with the New York Mercantile Exchange to include metals contracts from April 10. The link, established last year, initially covered energy-related contracts. *Nikki Tait*

Japanese resin producers in joint venture

By William Dawkins in Tokyo

Japan Synthetic Rubber, the country's largest producer of plastic resin, is to merge its resin division with Mitsubishi Chemical, Japan's leading chemicals group and third-largest resin producer, to seek economies of scale in a fiercely competitive market.

The pair said they had decided to take this step, to be consummated with the formation of a joint venture next July, because of weak domestic demand and increased competition from foreign producers and Japanese companies based abroad.

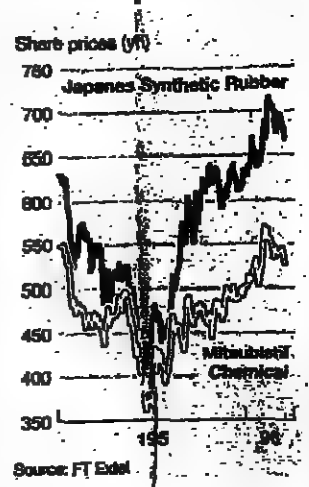
The material which they will be joining forces to produce is acrylonitrile-butadiene-styrene resin (ABS), used to make hard plastic casings for computers and other electronic goods.

The main competition comes from Chi Mei, a Taiwanese petrochemical company, which makes 1m tonnes of ABS annually – 55 per cent of world output, and four times the size of Mitsubishi Chemical's and Japan Synthetic Rubber's combined ABS production.

The new Japanese joint venture, yet to be named, will be 60 per cent owned by Japan Synthetic Rubber and 40 per cent by Mitsubishi Chemical. It will have a 260,000-tonne annual capacity, giving it 30 per cent of the Japanese market and making it the world's fourth-largest producer of ABS, the companies said. After final agreement in the summer, they plan to start operations in October, with an estimated Y60bn ($570m) annual turnover.

Japan Synthetic Rubber, a leading supplier for Bridgestone, the Japanese tyre manufacturer, devoted 34 per cent of its Y89.8bn turnover to synthetic resin production in the six months to last September. The group is undergoing a recovery, from recurring profits – before tax and extraordi*nary items* – of Y3.6bn in the year to last March to an estimated Y6.4bn in the year ending this month, according to equity analysts in Tokyo.

Mitsubishi Chemical does not specify its turnover in resins, but 55 per cent of its sales are petrochemicals. The group *is expected by analysts to* report a recurring profit of Y21bn this year, a dramatic recovery from Y5.35bn in 1995, helped by an increase in domestic demand for other petrochemical products and the cost savings achieved from its merger with Mitsubishi Petro*chemical in October 1994.*



Source: FT Extel

World's investors warm to Nice Systems

The Israeli high-tech company is taking advantage of its staff's experience in the country's military, writes **Julian Ozanne**

In one of Israel's "silicon valley" industrial parks a small, little-known high-tech company is contributing to Israel's increasing penetration of the global market for telecommunications products.

Nice Systems, which primarily designs, develops, manufactures and markets high-quality digital recording, storage and retrieval systems, is rapidly emerging as one of Israel's success stories.

The company's dramatic growth in revenues, combined with its potential to exploit the rapid expansion in computer *telephone integration (CTI)* technology and the migration from analogue to digital recording, have made Nice a recent favourite of local and foreign investors.

A string of orders from blue-chip clients such as the London Stock Exchange, ABN Amro and the US Federal Aviation Administration, together with its technological edge in digital recording and voice processing products, have raised expectations that the company is poised to become a significant force in the CTI market which analysts expect to expand from $1.5bn in 1995 to *$6bn by 2000.*

Much depends on Nice's ability to strengthen significantly its marketing ability in a growing but highly competitive sector which is expected to experience dropping prices. But for the moment the company is experiencing a wave of investor confidence.

In January, Nice completed a successful $18m public offering on the Nasdaq stock exchange in the US, and recently announced that for the first time it had broken even over a financial year. Results for calendar 1995 showed a 133 per cent increase in revenues, from $9m in 1994 to $21m. Gross profit increased 264 per cent to $10.2m, or 48.8 per cent of sales, compared with $2.8m, or 31.3 per cent, in 1994. Net income was $318,000 compared with a loss of $2.7m in 1994. Earnings per share were 6 cents compared with a loss of 53 cents in 1994. The results reflected a dramatically improved fourth quarter.

Turning the profit corner, together with buy recommendations from some US investment houses, have led to a surge in the company's share price. Shares on Nasdaq were trading at $12¾ yesterday, up 27 per cent on the $10 January offer price.

The latest surge in the company's price comes after its *shares on the Tel Aviv market* have increased almost four-fold since last April, from to yesterday's close of Shk39.69.

Such a dramatic run-up in the company's stock, with analysts estimating it is currently trading at a premium to other voice processing companies with a multiple of 25 times projected 1996 earnings, have raised questions about whether the company has become a classic case of high-tech investor hype.

But Lehman Brothers projects that revenues will more than triple in the next two years, from $20.6m last year to *$43m in 1996 to $68.3m in 1997,* and the company will continue to improve its margins. Lehman estimates earnings per share will rise from 1 cent in 1996 to 63 cents in 1996 and $1.15 in 1997.

Like many of Israel's recent high-tech success stories Nice was spun off from the military. It was set up in 1986 by a group of engineers who had spent years in Israel's military intelligence and communications departments and had a wealth of experience in communications systems design. Most of the people who left the military to enter the private sector and form Nice, like company president Mr Benny Levin and company chairman Mr David Arzi, remain firmly wedded to the company.

"It's a unique phenomenon that in the Israeli military you get very high responsibility, hands-on experience with big budgets, exposure to defence *industries in Israel and US* and the American entrepreneurial culture and this was part of the foundation of our success," Mr Levin says. "The challenge after years in the military was to develop products from our military experience that were required and affordable in the commercial market."

Originally Nice concentrated on manufacturing military communications intelligence products, but in late 1991 it went public on the Tel Aviv Stock Exchange and raised $4m to finance its entry into the voice communications industry. In 1993 Nice formed NiceCom, a high-speed ATM networking subsidiary active in the data communications industry. But in the wake of the heavy merger and acquisition activity in the sector, Nice sold the company in 1994 to 3Com for $53m.

The sale of NiceCom allowed Nice to concentrate on its two *core business where it had a* better chance of success – digital voice logging and military communication. The digital voice-logging business has boomed since sales began in the second quarter of 1994, and provided about two-thirds of Nice revenues last year.

"We decided to focus on the sectors where Nice can be a market leader," Mr Arzi says. "It's better to be a leader in a smaller market where you can influence the market than be a fraction in a big market and we aim to be the number one company in the voice logging sector."

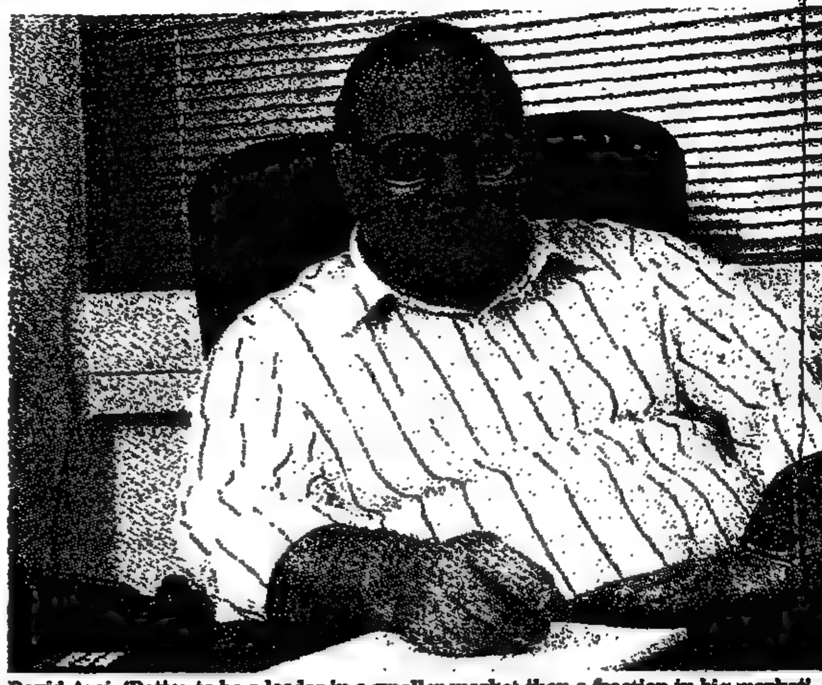
The company has successfully penetrated two leading markets – financial trading floors and air traffic control systems.

Financial customers of its NiceLog system include Citibank, Deutsche Bank, Union Bank of Switzerland and the Sydney Futures Exchange. Last August Nice won contract from the FAA potentially worth $40m, to provide its digital voice logging system to 800 airports in the US.

The company says growth will also come from the large call-recording market such as telebanking and teleinsurance following a recent agreement between Nice and Northern Telecom of Canada. Nice's system will be installed in all of the call centres using Nortel's systems, which currently account for one-third of all US call centres.

The company is also planning to attack the public safety and emergency services recording market, which are set to convert from analogue to digital recording in the coming years.

Originally Nice concentrated on military communications intelligence products, but in late 1991 it raised $4m to finance its entry into the voice communications industry



David Arzi: 'Better to be a leader in a smaller market than a fraction in big market'

Normandy turns down request for delay

By Nikki Tait in Sydney

Directors of Newcrest, the Australian goldminer, yesterday asked Mr Robert Champion de Crespigny's Normandy Mining group to delay shareholder meetings called to approve a A$3bn (US$2.3bn) four-way merger between Normandy and three associated companies, so that it could consider a merger with Newcrest.

But Normandy turned down the proposal, saying that *details of its own merger* scheme – which involves combining the operations of Normandy, PosGold, North Flinders Mines and Gold Mines of Kalgoorlie into one group – had been in shareholders' hands for nearly four weeks.

"The present merger terms will not be changed, and any proposal involving a merger with Newcrest would be unlikely to be achieveable in less than four to six months," it added.

In the light of Normandy's rebuff, Newcrest said it would make a further statement shortly. The first of the meetings to approve the Normandy merger will be held in Adelaide on Friday, with the fourth, and final, meeting being called for April 4.

Mr de Crespigny said he was still hopeful that Newcrest would support the Normandy merger, although the company had not said that this was its intention, "nor did we ask".

Normandy currently holds a 51 per cent interest in *PosGold, its goldmining arm.* PosGold, in turn, owns 31 per cent of GMK and 49 per cent of North Flinders. All are listed companies.

Newcrest, in turn, has a 14.9 per cent stake in Normandy, acquired in a stockmarket raid earlier this month, and about 12.5 per cent of PosGold. Newcrest was formed in 1990 when Australia's BHP and Newmont Mining in the US merged their Australian goldmining operations.

The latest jousting followed a presentation by Mr de Crespigny to the Newcrest board in Melbourne – a meeting which Normandy described as "pleasant" and Newcrest as "cordial".

Shares in Normandy closed 1 cent higher at A$2.39, while Newcrest added 3 cents to A$5.78.

● Goldman Sachs, the US investment bank, has lifted its stake in Ampolex, the Australian energy group, to 7.11 per cent, through market purchases over the past three weeks. It previously held a 6.84 per cent interest. Ampolex is the subject of an unwanted bid from Mobil, the US oil group, worth around A$1.24bn.

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INTERNATIONAL COMPANIES AND FINANCE

CTC-VTR deal raises the stakes in Chilean telecoms

By Imogen Mark in Santiago

The deal between CTC and VTR, announced this week, signals a fresh alliance in Chile's competitive telecoms market.

CTC, controlled by Telefónica of Spain, and VTR, owned by SBC of the US and the Chilean Luksic group, will pool resources in the mobile phone business, including cellphones and paging. The new company will be owned 55 per cent by CTC and 45 per cent by VTR, which will pay $67m to CTC to make up the difference between their asset contributions.

CTC's cellphone subsidiary holds one of the two concessions for the plum Santiago and Valparaiso regions, which contain half of all Chile's ABC1 households. It will contribute 80,000 subscribers to the new venture. VTR holds one of the two concessions for the rest of the country and has 35,000 subscribers.

From May, the new company will be the first to offer full-service, nationwide coverage. CTC and VTR already operate an informal roaming agreement to cover each other's subscribers. There are some 200,000 cellphone subscribers at present and the market is expected to grow to 800,000 by the end of the decade. Total sales in 1995 were $250m.

The new company will also combine its efforts in the field of personal communications systems (PCS), which are seen by some as a cheaper and more versatile development of cellphones.

Though some telecom executives would have preferred the government to delay introducing PCS for some years because of the sizeable investments it will need, the government is committed to developing Chile's telecoms market as fast and as competitively as it can.

It was due to accept bids at the beginning of this month for three national PCS concessions, but the process was postponed by a court case brought by VTR which challenged the procedures.

The CTC-VTR company will be well-placed to give wide coverage quickly, which is one of the conditions for winning a licence. The alliance also helps reduce installation costs, which are substantial. Coverage of 75 per cent of national territory will cost an estimated $100m and increasing that to 95 per cent will cost $300m.

Ms Jane Winslow, analyst at Bankers Trust, welcomed news of the alliance. "I see CTC taking major strides towards becoming a more rational, smarter player, facing up to the new competitive environment after its long years as the monopoly operator, becoming a service-oriented company."

CTC is by far the biggest Chilean telecoms company, with sales last year of $1bn and net income of $270m.

The other leading contender for a PCS licence is Entel, formerly the long-distance monopoly carrier and still the market leader in long distance. Its Chilean controlling shareholder, Chilquinta, has recently signed a shareholder agreement with Stet of Italy and is still working out an arrangement with its new partner and Samsung of Korea, which also has a substantial holding.

Entel operates a cellphone concession outside the Santiago-Valparaiso region. It is understood to be in talks with the Chilean subsidiary of BellSouth of the US, and the fourth cellphone operator, which holds the other Santiago licence. An alliance between the two would share the same logic as the CTC-VTR link-up.

A third contender for a PCS licence is Telex-Chile, a smaller long-distance carrier, which is currently looking for a strategic partner to bring in new capital and know-how.

Bids may put $2.5bn price tag on MGM

By Christopher Parkes in Los Angeles

The sale by international auction of Metro-Goldwyn-Mayer, a refurbished remnant of Hollywood's glory days, was officially opened yesterday by Lazard Freres, the investment bank.

The French-owned company, which has been revived in the past three years by chairman Mr Frank Mancuso, is expected to fetch between $1.5bn and $2.5bn after bidding closes later this year.

The announcement follows formal approval of the sale by the French government.

Mr Mancuso, who has more than doubled MGM's share of the US box office since he took charge in 1993, is believed to be rounding up financial support for a management buy-out offer for assets ranging from MGM and United Artists film studios to television properties and extensive film and home video libraries.

However, bidding may become highly competitive as media, entertainment and telecommunications companies continue the urgent search for routes to "convergence" following wide-ranging deregulation of the US marketplace.

Other possible bidders, apart from US interests, include the PolyGram subsidiary of Philips of the Netherlands, Germany's Bertelsmann, and France's Chargeurs.

The group's television interests include MGM Gold, an international entertainment channel due to debut in Asia this year to be followed by similar ventures in Europe.

TV studios, reopened under Mr Mancuso's aegis, have two new series running on US broadcast channels, with more in the pipeline, including an animated series based on the film, *All Dogs Go To Heaven*.

Under Mr Mancuso the company has tapped a steady stream of successes, including *Get Shorty* and *Goldeneye*.

MGM's share of the US box office grew to 6.3 per cent last year – against 1.9 per cent in 1993 – and so far in 1996 has climbed to 7.6 per cent.

In the three-year period to the end of 1995, gross takings at the domestic box office have jumped from $95m to $333m while international ticket sales have soared five-fold to $150m.

Storm brews over RJR vote

By Richard Tomkins in New York

A dispute looks set to break out over the means used by corporate raiders Mr Bennett LeBow and Mr Carl Icahn last month in their bid to win shareholder support for a break-up of RJR Nabisco, the US tobacco and food group.

Mr LeBow's Brooke Group set a deadline of midnight on February 15 for shareholders to vote in favour of his spin-off proposal. But his company did not announce the result until five days later, on February 20.

At that stage, Brooke Group announced that Mr LeBow had triumphed, winning 50.4 per cent of the vote. The surprise result gave Mr LeBow and Mr Icahn the momentum they needed to press ahead with their proxy battle against RJR Nabisco.

After Brooke Group had completed its count, the voting slips were passed to an independent inspector of elections for checking. Now, sources close to the checking process say the figures indicate that Mr LeBow had lost the vote by a narrow margin at midnight on February 15.

Close examination of the voting slips, the sources say, suggests that Mr LeBow was only able to claim ultimate victory in the poll because he counted votes received after his self-imposed deadline had passed.

The precise result may not make a great difference to the outcome, since the vote is not binding on RJR Nabisco and the company has vowed to ignore it. But RJR Nabisco seems likely to use the figures as a vindication of its statement on February 16 that the vote appeared to have gone against Mr LeBow.

If the figures are confirmed, RJR Nabisco is also likely to use the sequence of events as further ammunition with which to attack Mr LeBow's credibility in the run-up to the battle for control of the company at its AGM on April 17.

Mr LeBow and Mr Icahn are trying to force RJR Nabisco into an immediate spin-off of its Nabisco food business, saying the move would increase value for shareholders. RJR Nabisco says an immediate spin-off risks legal action by anti-tobacco plaintiffs with litigation pending against the group.

A filing with the Securities and Exchange Commission shows that Mr LeBow and Mr Icahn have lifted their stake in RJR Nabisco from 4.8 per cent to 5.8 per cent since February 21, buying shares at prices ranging from $33 to $35. Mr LeBow's Brooke Group owns 5.18m shares and Mr Icahn owns 10.77m.

Mr LeBow and Mr Icahn are seeking shareholder support for the election of an alternate slate of directors who would support their spin-off plan.

Pooling resources to gain mass

Bernard Simon on the proposed Battle Mountain-Hemlo merger

The trend towards consolidation in the international mining industry has moved another step forward with the proposed merger of Houston-based Battle Mountain Gold and Canada's Hemlo Gold to form North America's fifth-biggest gold producer.

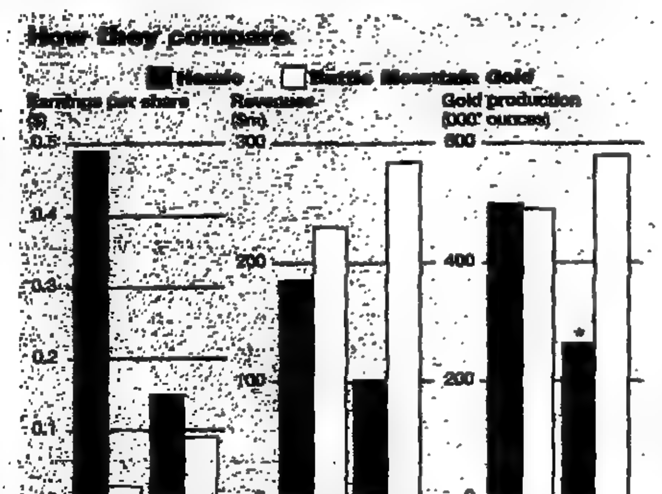
The combined company, to be known as Battle Mountain, would produce more than 1m ounces of gold this year from nine mines in North America, Bolivia, Australia and Papua New Guinea. Its reserves would total about 13m ounces.

The two companies have proposed a US$1.5bn share swap, with Hemlo shareholders receiving 1.48 Battle Mountain shares for each Hemlo share.

The deal, which still requires shareholder approval, values Hemlo shares at C$21.03 each, a 20 per cent premium to their market price prior to the announcement.

Noranda, the Canadian resources group which currently owns 44 per cent of Hemlo, would be the biggest shareholder in the combined group, with a 28 per cent stake.

The two companies said the merger would make a good fit. Hemlo currently depends on its Golden Giant mine in northern Ontario for about 90 per cent of its output. Mr Alan Thomas, Noranda's chief financial officer, said that Hemlo's growth potential "is not as great as we'd like it to be".



* production affected by a 13-week strike and 7-day shutdown for repairs
Source: Companies

Battle Mountain would gain access to Golden Giant's low-cost production. It would contribute well-established international operations which include the big Kori Kollo open-pit mine in Bolivia and an 8 per cent stake in the Lihir gold project in Papua New Guinea as well as extensive exploration activities.

However, Battle Mountain would acquire a headache in the form of Hemlo's 60 per cent interest in Crown Butte Resources. Crown Butte has raised a storm in US environmental and political circles by proposing to build a mine close to Yellowstone National Park, one of the best-known tourist attractions in the US.

Hemlo shares bounced up by C$1.75 to C$19.13 in early trading on the Toronto exchange yesterday. Battle Mountain lost 62 cents to US$9.75 on the New York stock exchange.

Mr Todd Hinrichs, analyst at Everen Securities in Chicago, said Battle Mountain's exploration activities brightened Hemlo's growth prospects. But he expressed reservations about the short-term implications for Battle Mountain, noting that the US company was paying "top dollar" and that the addition of Hemlo would dilute its ratio of reserves to market value.

The deal is the latest in a series of mining mergers and acquisitions, especially in North America and Australia, which have been propelled by strong cash flows, high share prices, and by an appetite to expand reserves and diversify risk. Some industry executives believe that a handful of large multinationals are emerging that will come to dominate the industry.

'Orphan estate' of up to £5bn may be used to pay for purchase of mutual life assurer

Pru shares rise on hope of access to life fund

By Alison Smith, Investment Correspondent

Shareholders in Prudential Corporation, the UK's largest life assurer, could gain access to some of the unattributed assets in its long-term life fund, following discussions with the Department of Trade and Industry. The shares rose steeply on the news, finishing the day 27p up at 454p.

The Pru's announcement that it was discussing the issue with the DTI came as it revealed 1995 pre-tax profits of £1.04bn ($1.59bn), compared with £358m.

Analysts' estimates of the unattributed assets – or "orphan estate" – range up to £5bn. But shareholders will have to wait perhaps 12 to 18 months for the DTI talks to end and the potential benefit to become clearer.

An "orphan estate" is the amount in a with-profits life fund beyond what is needed to meet the reasonable expectations of policyholders.

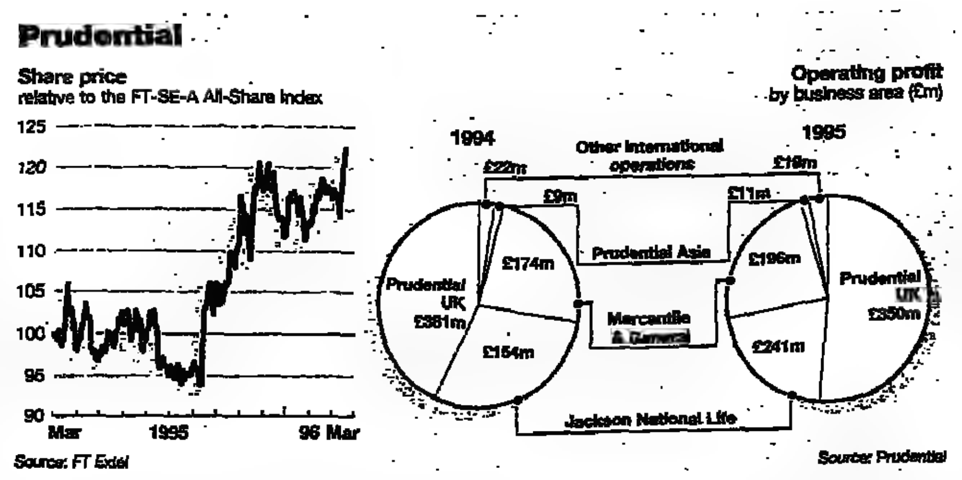
Prudential is late in raising this issue with the DTI.

He also raised the possibility that the Pru might use the fund to buy a mutual life assurer, as one way of enabling it to reach more customers through an additional method of selling.

The Pru said last year it was interested in buying within the UK life sector, though Mr Davis did not confine himself to this area yesterday, raising speculation that the group might seek to buy a bank or building society.

It plans to launch a mortgage lending and retail savings bank in October, selling mainly to its existing customer base, but through the low-cost channels of the telephone and post. Mr Davis said that over time this operation could be expanded to include a wider range of financial services.

Lex, Page 12



Williams plans £200m of acquisitions

By David Wighton

Williams Holdings, the diversified industrial group, is in talks to acquire businesses worth more than £200m ($306m), including its first manufacturing operation in South America.

Mr Nigel Rudd, chairman, stressed that not all the deals might be concluded, but said Williams was in a financial position to take advantage of a large number of opportunities in its core businesses. "We have the financial headroom to capitalise on a deal flow which is better than it has ever been." In addition, Mr Rudd said Williams was talking to potential buyers of its electronics businesses, where profits recovered to about £7m on sales of nearly £100m last year.

The group yesterday announced a 14 per cent increase in 1995 pre-tax profits to £238.3m. Excluding a £9.1m gain on the November flotation of Cortworth, the specialist engineering company, profits were 9 per cent ahead.

Underlying earnings per share were 2 per cent better at 22.3p, reflecting slightly higher tax and a full year's impact of the £267m rights issue in 1994. This has left Williams with a strong balance sheet, in spite of spending £350m over the past two years on acquisitions and capital investment. Last year, capital spending rose 32 per cent to £51.5m, while £61.2m went on acquisitions. Year-end gearing was only 19 per cent, on shareholders' funds of £501.6m, with interest cover of 16 times.

Mr Rudd said a lot of effort had gone into the globalisation of its security and fire safety operations. The process led last month to the announcement of Williams' first investment in China.

Schroders' executives to build up UK equities

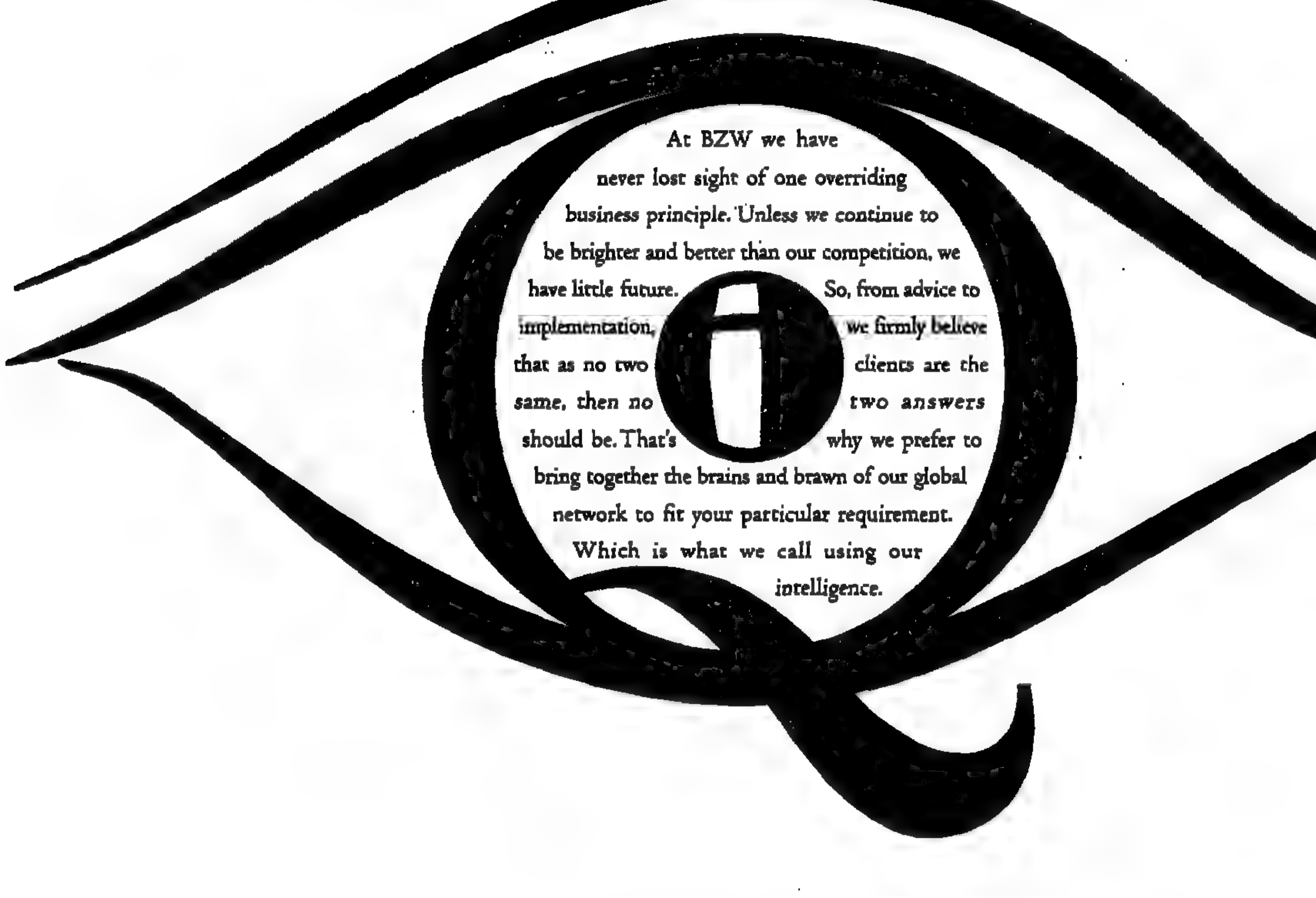
By Nicholas Denton

Schroders, the UK investment bank, has hired two executives to build up UK equities research and sales on the eve of an expected announcement of a further expansion of its securities business.

The bank is appointing Mr Peter Wellington as head of UK research and media analyst, it confirmed yesterday, and Mr Richard Wyatt is joining as head of institutional sales.

The two men, who were head of equity research, and of equities respectively at NatWest Securities, are following Mr Philip Augar, who left National Westminster to head Schroder Securities a year ago.

Analysts expect Schroders' pre-tax profits to be near £300m for 1995, against £195.4m in 1994 and £195.8m in 1993.



DIGEST

Cordiant incurs loss of £23m

Cordiant, the advertising group which includes Saatchi & Saatchi, yesterday said it was "drawing a curtain on a chapter in the company's history", as it announced pre-tax losses for 1995 of £22.6m ($35m). The company is now debt-free, following a £127m rights issue last year.

However, it is still recovering from the revenue consequences of the ousting of Mr Maurice Saatchi as chairman and the loss of senior staff and important clients. Client defections totalled £40m in annual revenue, which has now been replaced with new business, said Cordiant.

Cordiant plans to declare a dividend in March 1997, the first for seven years.

Diane Summers

Art and jewels lift Christies

A substantial improvement in demand for works of art enabled Christies International, the fine art auctioneer, to report a 32 per cent profits rise in 1995.

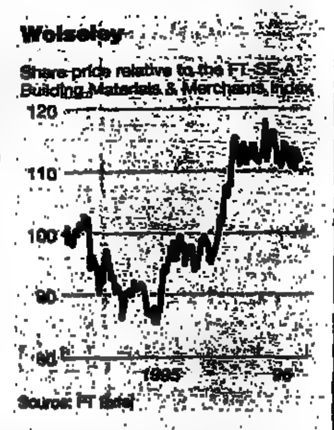
The results reflected in particular the key area of Impressionist and Modern art where auction sales last year were 67 per cent higher. Jewels also showed a sharp gain, with sales up 37 per cent to £158m.

Antony Thorncroft

Wolseley warns on full year

Recovery in the UK housing market is likely to come too late to prevent Wolseley's annual pre-tax profits falling below last year's level, Mr Jeremy Lancaster, chairman and managing director of the building products distribution group, warned yesterday. Mr Lancaster's caution came as the company announced a 5 per cent fall in pre-tax profits to £110.97m (£117.26m) for the six months to the end of January. The group blamed the dip on problems at its UK electrical accessories business, where cut-price competition from south-east Asian manufacturers forced it to close its factory in Cumbria. There was also a downturn at its North Carolina lumber business.

Andrew Taylor



RTZ-CRA £49m pension boost

RTZ-CRA, the newly merged Anglo-Australian mining group, is to benefit from a repayment of about £49m ($75m) from RTZ's three UK pension schemes which have been performing strongly since the mid-1980s. The company announced yesterday that surpluses in the funds, which have been performing at about one percentage point above the average since 1984, are in excess of limits laid down by the Inland Revenue.

Jim Kelly

Liffe Emu contract settlement

The London International Financial Futures and Options Exchange (Liffe), in a ground-breaking move to prepare for European monetary union, has decided its contracts will settle against euro rates for all currencies participating in Emu. This will apply even if active markets for domestic currencies continue to run in parallel with the new euro market.

The decision, covers futures contracts on three month D-Mark ("euromark") and three month sterling ("short sterling") interest rates.

Samer Iskandar

هكذا من الأصل

Anglo American Industrial Corporation Limited

AMIC

Abridged statement by the Chairman Mr Leslie Boyd, results and notice of capitalisation share award and right of election to receive instead a final ordinary dividend for the year ended 31 December 1995

HIGHLIGHTS

- Record turnover at R20 billion
- Earnings exceed R1 billion for the first time
- Total net earnings per share rise by 47 per cent to 1 603 cents
- Total dividend up by 21 per cent to 545 cents per share

For Amic, 1995 proved to be an highly successful year. Total net earnings rose by 51 per cent to a record R1 062 million from last year's earnings of R702 million, which have been restated to reflect a change in accounting policy for extraordinary items that complies with International Accounting Standards. Several major projects - notably the R3.5 billion Columbus stainless steel joint venture - were commissioned, each representing a permanent strengthening of South Africa's industrial base and enlargement of its capacity to add value to our natural resources.

Total net earnings per share, reflecting the greater number of shares in issue, were 47 per cent higher at 1 603 cents on the restated basis. Earnings per share adjusted for items of a capital nature, increased by 42 per cent to 1 569 cents, emphasising the improvement at operating level. Having declared an interim dividend of 160 cents in cash, the board has again decided to award capitalisation shares in respect of the final results. Members may, however, decline the award and elect to receive a final dividend of 385 cents per share. Our major shareholders have indicated their intention to accept the capitalisation shares. The total dividend has increased from 450 cents to 545 cents per share, and dividend cover has been raised from 2.4 times to 2.9 times to reflect heightened uncertainty in our markets.

Given the diversified and balanced range of manufacturing and industrial activities that Amic has developed at home and internationally, the group was well placed to benefit from such conditions - and our efforts ensured that we did. Politically, too, the times were positive, with South Africa making the transition to majority rule in a manner which elicited admiration and support all over the world.

Group Developments

To realise its objectives of sustainable growth and increasing real returns to shareholders, Amic is continuously engaged in the development of new and existing ventures. In 1995, the group spent on a consolidated basis R1 268 million on new developments and R564 million on stay-in business projects. *Looking ahead, the group is committed to spend at least R1* billion on expansion and R400 million on asset replacement.

AECI has announced that it plans to sell its interest in Afex Holdings and is exploring the option of a global placement. Amic will participate in such a placing so as to maintain its effective 52.6 per cent holding in AECI. Amic also intends to follow its share of the proposed Mondi - HL&H Timber Holdings acquisition.

The group is assessing a number of new expansionary projects, approval of which may still be some way off, but which could substantially increase our capital programme in future years. The Tongaat-Hulett group has already announced two major new projects. Work on its R600 million greenfields starch and glucose mill near Meyerton, Gauteng has started and is due for completion in the second half of 1997. Final go-ahead for the R1.8 billion *expansion of the aluminium rolled-products facility* at Pietermaritzburg, in which the corporation will have a 20 per cent direct investment, awaits the government's formal announcement of its decision on a satisfactory programme of phased reduction in tariff protection.

Subject to certain conditions Mondi has reached agreement with Anglo American Corporation and the HL&H Group to acquire their shares in HL&H Timber Holdings which will consist only of the HL&H Mining Timber and Silvacel businesses and hardwood plantations. Competition Board approval for the acquisition has been received. Mondi has a further R500 million programme in hand to increase both capacity and quality at its pulp, paper, board and lumber mills.

Scaw, having upgraded the Morgan continuous bar mill, is due to commission this year a third direct-reduction iron kiln and an upgraded 70 tonne EBT arc furnace - fumex system, at a total cost of R240 million.

Scaw has acquired, in partnership with a Belgian associate, Magotteaux International S.A., Proacer, which operates a foundry in Chile, at a cost to Scaw of US$12 million. The operation produces a range of grinding media, mainly for the Chilean mining industry, whose growth prospects over the next decade are extremely favourable.

AECI has brought into production its R250 million lysine plant in KwaZulu - Natal, and has an agreement with BASF, a major international chemicals group, for the world-wide distribution of this additive for animal feeds. Polifin will shortly bring on stream its new R640 million facility at Sasolburg to convert PVC production to more competitive ethylene-based products.

Samcor, having secured an export order from Ford for 200 000 engines of 1400cc capacity over a period of 30 months, is to invest R126 million in its execution, which will generate more than R350 million in revenue and a thousand new jobs, directly and indirectly.

In May, Amic jointly with Daewoo Corporation of Korea acquired control of Supalek Holdings, a distributor of brown electrical goods listed on The Johannesburg Stock Exchange. Supalek has changed its name to Daewoo Electronics S.A. and has raised additional funds of over R27 million by way of a rights issue, jointly underwritten by Amic and Daewoo. The company intends to expand significantly in trading and manufacturing activities in both white and brown goods.

Amic's latest venture, the Safety Syringe project, small in scale but rich in promise, provides another illustration of our ability to identify, and pursue with international partners, new business opportunities that represent a productive fusion of South African capital and technological resources.

As a first step in moving into the international medical consumables and equipment market we are investing some R120 million in the Western Cape to manufacture safety syringes, which offer much greater protection to health-care workers against accidental infection with HIV, hepatitis and other viruses from needle-stick injuries. To promote the commercialisation of this novel device world-wide, we are negotiating an alliance with a leading international manufacturer of medical products.

The Future

It is in the nature of Amic's business that while diversification has diminished our exposure to world commodity cycles, such protection can never be absolute. Thus our performance in 1996 necessarily depends in part on economic conditions in South Africa and the world as a whole - with the former being largely determined by the latter. Unfortunately, world growth slowed somewhat in 1995 as activity in Western economies stagnated from mid-year. This, together with the unwinding of speculative positions in commodities and the run-down in stocks, brought about a sharp correction in commodity prices from the high levels that had prevailed. However, a modest pick-up in world trade and industry could be expected in 1996, as the major industrial countries respond to lower interest rates, and prospects for commodities remain encouraging. The fundamental demand/supply situation is significantly better than it was during the low point of the cycle in 1993, and prices could well make up some of the ground lost since 1995.

Turning to our own country, it is to the authorities' credit that despite the revival in domestic demand, inflation averaged slightly less than in 1994, at 8.7 per cent over the year. The extension of private credit burgeoned at such a rate that the Bank rate was twice increased, with the result that the prime overdraft rate at 18.5 per cent is now extraordinarily high in real terms. *One must hope that in consequence, demand for credit* will ease sufficiently to enable interest rates to be cut.

These high rates, and the country's improved standing internationally, stimulated foreign interest in the domestic bond and equity markets, the capital inflow reaching some R20 billion during the year. That more than offset the current account deficit of R12 billion, making possible a substantial improvement in the country's gold and foreign exchange reserves. In consequence the rand exchange rate remained strong - too strong, perhaps, for the health of the export trade. If the recent weakness of the rand continues, we may look forward to further growth in exports. Taken together with increased agricultural production, further gains in private sector fixed investment, a slower decline in gold production and the beginnings of significant RDP expenditures in such areas as housing, South Africa might well have a growth rate of four per cent in 1996. In these circumstances Amic would expect its 1996 earnings to be similar to the previous year's.

Satisfactory as a four per cent growth rate would once have seemed to be, it is manifestly inadequate to enable South Africa to make any meaningful progress in addressing its social and economic problems, of which the greatest is unemployment, and the misery and waste of human resources that it represents. South Africans are resourceful people, however, and for the first time they feel themselves to be one nation. Other countries with fewer resources have transformed themselves in relatively short periods into winning nations. So can we. At bottom, it is a matter of will.

L Boyd
Chairman

Results

Income Statement	1995 R million	1994 R million
Turnover	20 522	16 938
Earnings from operations	1 991	1 135
Share of earnings of associated companies	299	209
Dividends	94	108
Retained earnings	205	101
Interest earned	150	118
Other income	34	25
Income before interest paid and taxation	2 474	1 487
Interest paid	397	267
Earnings before taxation	2 077	1 220
Taxation	465	197
- Current	256	157
- Deferred	191	16
- STC	18	24
Earnings after taxation	1 612	1 023
	550	321
Earnings attributable to outside shareholders	540	306
Preference dividends	10	15
Total net earnings	1 062	702
Ordinary dividends	(363)	(294)
Earnings retained	699	408
Earnings per ordinary share* – cents		
- Total net earnings	1 603	1 087
- Adjusted earnings#	1 569	1 108
Dividends per ordinary share – cents	545	450
Interim	160	132
Final	385	318

Based on the weighted average number of 66 233 060 ordinary shares in issue for the year
 # Excluding items of a capital nature

Capitalisation share award and right of election to receive instead a final dividend

As indicated in the accompanying statement by the chairman, the directors have resolved to award capitalisation shares to ordinary shareholders registered in the books of Amic at the close of business on Friday, 29 March 1996 ("the record date"). The terms of the capitalisation award will be published on Monday, 25 March 1996. Instead of the capitalisation award shareholders may in respect of all or part of their shareholding elect to receive a final dividend of 385 cents per ordinary share in respect of the year ended 31 December 1995 ("the election"). The new ordinary shares to be issued pursuant to the capitalisation award will be issued as fully paid by way of capitalisation of part of Amic's distributable reserves.

Documentation dealing with the capitalisation award and the election will be posted to shareholders on Thursday, 4 April 1996. In order to be valid, completed election forms will need to be received by the company's transfer secretaries by no later than 12h00 on Friday, 26 April 1996.

Forms of election postmarked by not later than 26 April 1996 will be accepted up to 12h00 on Thursday, 2 May 1996. Should such election forms not be received by that date Amic will automatically issue capitalisation shares to all relevant shareholders concerned. Applications will be made to The Johannesburg Stock Exchange and the London Stock Exchange for the capitalisation shares to be listed with effect from the commencement of business on 8 May 1996.

Shareholders are advised that the share registers will be closed from Saturday, 30 March 1996 to Saturday, 13 April 1996, both days inclusive.

The right to elect to receive a dividend is not available to shareholders in any jurisdiction in which it is illegal to grant the same.

By order of the board
Anglo American Corporation of South Africa Limited
Secretaries
per: C L Farrel
Divisional Secretary

13 March 1996

Registered Office
44 Main Street
Johannesburg
South Africa

London Office
19 Charterhouse Street
London EC1N 6QP

Transfer Secretaries
Consolidated Share Registrars Limited
1st Floor – Edura
40 Commissioner Street
Johannesburg 2001 South Africa

Barclays Registrars
Bourne House
34 Beckenham Road
Beckenham Kent BR3 4TU

COMPANY NEWS: UK

TI Group has five targets in its sights

By Tim Burt

TI Group, the engineering and aerospace equipment company, yesterday hinted that it could spend up to £300m on bolt-on acquisitions to expand its industrial manufacturing operations.

The company was said to be considering five acquisition targets, mainly in polymers and mechanical seals. Sir Christopher Lewinton, chairman, is thought to have ruled out a hostile takeover and has reassured investors that TI would not consider a deal unless it was earnings enhancing.

"We would not feel constrained from doing some quite large bolt-ons and I'd like to expand the industrial side," he said.

He was speaking after TI said its balance sheet was in its strongest position for five years, ending 1995 with net cash of £9.6m, compared with borrowings of £84.6m last time.

The improved cash record was matched by a strong trading performance last year in the group's three operating divisions, despite mixed in the automotive and aerospace sectors.

That fuelled a 21 per cent rise in pre-tax profits from £153m to £184.8m – adjusted for the creation of TI's Messier-Dowty landing gear joint venture – on improved sales of £1.7bn (£1.42bn).

Although the figures were flattered by a £3.2m gain on the sale of two non-core investments, TI saw pre-exceptional profits rise by 23 per cent from £147.8m to £181.6m.

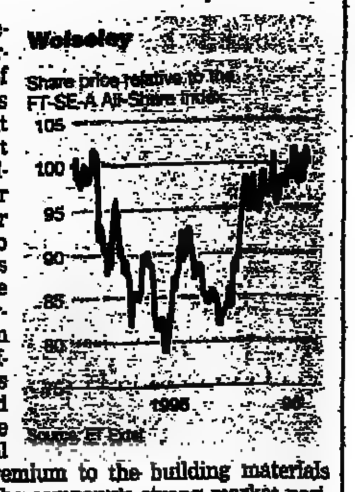
Of the operating divisions, the sharpest growth was reported by Bundy, the fuel systems arm, which defied flat demand in North America and patchy growth in Europe by lifting profits 26 per cent to £73.5m (£58.4m).

Profits at Dowty Aerospace rose 21 per cent, from £30.2m to £36.5m, but margins fell from 10.1 per cent to 8.3 per cent, following the integration of its landing gear business with Messier of France – a lower margin manufacturer.

See Lex Page 12

LEX COMMENT

Wolseley



Disappointment at Wolseley's first-half results yesterday illustrates the danger of assuming a company is being conservative when it is just being realistic. First half profits declined, as Wolseley predicted last year they might, and full year profits are now expected to fall short of last year's £245m. Wolseley may be the pick of the builders' merchants, but it has shown that it is not immune to difficult markets. Yesterday's re-iterated warning has had only a marginal effect on the stock's valuation. It is still trading at a substantial premium to the building materials sector. This is justified by the company's strong market positions and its impressive history of making smallish acquisitions work.

Still, the fact remains that some of its markets are looking decidedly tricky. While the UK may be on the way to recovery – though not soon enough to help this year's results, the company concedes – France shows no sign of improvement and the US market is looking patchy. The impact of growing competition from foreign imports on parts of the manufacturing *business, traditionally a cash-cow,* are also worrying.

Of course, there is still plenty of room for Wolseley to increase earnings by making acquisitions, particularly in the US.

However if this is to be the main engine of growth, the current valuation of 14 or more times 1997 earnings looks fairly full. Since recovery is not expected fully to be felt until 1997, there is little to be lost by waiting to see if the stock is going to get cheaper before buying it.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Beradin	Yr to Dec 31	1.35	(1.28)	0.934	(0.782)	4.32	(3.67)	2.75¶	Apr 19	2.45¶	2.75	2.45
Billam	Yr to Dec 31	6.85	(6.08)	0.15L	(0.243L♠)	6.4L	(9.8L)	3.1	May 10	3.1	5.3	5.3
Britton	Yr to Dec 31	203.8	(121.4)	19.9♠	(10.7♠)	10.18†	(7.45)	1.5	May 28	1.5	3	2.5
Calderburn	Yr to Dec 31	61.1	(56.6)	3.74L♠	(5.06)	9L	(12.1)	nil	-	5.1	2.9	8
Capital Corp	Yr to Dec 31	51.4	(42.2)	13.1	(14.1♥)	8.68	(10.27)	6	Apr 26	6	8.125	8
Christies Intl	Yr to Dec 31 ★	191.9	(162.6)	21.5	(16.4)	8.03	(5.91)	2.15	May 30	1.5	2.8	2.1
CMG	Yr to Dec 31 ★	196.5	(146.3)	18.5♠	(14.1)	18.2†	(13.9)	3.2	May 28	5¶	4.45¶¶	5
Cordiant	Yr to Dec 31	761.1	(775.4)	22.6L♠	(32.4)	12.8L†	(4.9)	nil	-	nil	nil	nil
[illegible]	Yr to Dec 31	43	(36.4)	2.93♠	(6.03)	0.9	(2.6)	0.59	May 16	0.53	0.88	0.79
Delta	Yr to Dec 30	1,019	(998.5)	53.1♠	(85.1)	20	(27.7)	14.4¶	July 1	11.2	18.9	15.5
DRS Data	Yr to Dec 31	6.47	(8.8)	0.594	(1.49)	1.33†	(3.07)	0.25	May 20	1	1	2
Everest Foods	6 mths to Nov 30	17.4	(21)	1.72	(1.56)	4.54	(4.29)	1.5	Apr 15	1.4	-	4
Expamet Intl	Yr to Dec 31	143.9	(130.4)	31.3L♠	(5.83)	52.9L	(6.15)	1.65	May 3	1.65	3	3
Headway	6 mths to Dec 31	9.35	(13.3)	0.43	(0.221L)	2	(0.9L)	0.8‖	May 2	0.7	0.8	0.7
Holliday Chemical	Yr to Dec 31	158.5	(132.9)	12.1♠	(19.3)	7.2†	(14)	3	May 7	3	5	5
Huntingdon Intl	15 mths to Dec 31 ‡	96.2	(162.5)	29L♠	(71.1♠)	0.289	(0.704)	nil	-	-	nil	0.575
Kalon	Yr to Dec 31	374.1	(157.3)	2.96L♠	(19.6)	1.23L†	(10.08)	3.2	May 8	3	14.8◆	4.5
Parity	Yr to Dec 31	127.7	(88.8)	8.54	(4.18)	10.34†	(7.19)	1.5	July 2	1	2.5	1.75
Pochin's	6 mths to Nov 30	23	(19.2)	1.62	(1.03)	5.6†	(3.8)	0.75	Apr 22	0.4*	-	1.6*
Prudential	Yr to Dec 31 ★	8,519□	(9,269□)	1,044♥	(358♠)	39.8	(11.7)	10.4	May 29	9.5	15.7	14.4
Record	Yr to Dec 31	39.7	(34)	2.95	(2.93)	5.3	(5.1)	2.45	July 1	2.45	3.8	3.6
Robinson Bros	Yr to Dec 31	30.3	(27.4)	1.9	(1.69)	85	(71)	9.5	-	7	17	14
Spandex §	Yr to Dec 31	85.8	(66.7)	8.52	(7.1)	16.3	(14.3)	1.85	July 15	1.75	2.85	2.5
Thorntons	26 wks to Jan 6	56.3	(58.4)	7.63	(8.62)	7.32	(8.88)	1.5	Apr 30	1.5	-	5.3
TI	Yr to Dec 31	1,703	(1,420)	184.8	(153)	26.5	(22.5)	8.75	May 29	7.95	13.1	12
Williams Hldgs	Yr to Dec 31	1,599	(1,393)	228.3	(200.3♠)	22.8†	(20.5)	8.75	May 23	8.25	14.25	13.5
Wolseley	6 mths to Jan 31	2,050	(1,866)	111	(117.3)	13.42	(14.21)	3.1	July 31	2.95	-	8.8
Yorks-Tyne Tees	Yr to Dec 31 ‡‡	261.5	(297.6)	21.6	(10.5♥)	29.6	(15.5)	10.3	June 21	4.7	14	4.8

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Dunedin Inc Growth	Yr to Jan 31	777	(623.4)	9.16	(8.96)	28.6	(28.07)	18.4	Apr 26	17.7	27.5	26.6
High Income		-		-		-		1.69	Apr 15	1.6	-	6.4
M&G Income	Yr to Jan 31	78.18	(63.75)	13.8	(12.4)	5.56	(5)	2.15	Apr 25	2	6.25	6

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. ★Comparatives restated. ¶Foreign Income Dividend. ¶¶Total includes FID element of 1.25p. ‖Includes special of 0.5p. ‡Comparatives for 12 months. ◆Includes special of 10p. *Equivalent after allowing for scrip issue. □Gross premium income. §USM stock. ‡‡Comparatives for 15 months. #Third interim; makes 4.8p to date.

Inchcape buys into Peru Coke bottler

By Christopher Price

Inchcape, the international marketing *group, yesterday paid $33.6m for a 25 per* cent share in the largest bottler of Coca-Cola in Peru.

Lima-based Embotelladora Latinoamericana incurred pre-tax losses of $6m in 1994 on turnover of $92.6m. It currently holds a 44 per cent share of the Peruvian soft drinks market.

Inchcape will hold 30 per cent of the voting rights and will have management and board control through a joint holding company with the chairman, Mr Michael Mitchell, who is also a large shareholder. The holding company will control nearly 60 per cent of the group's shares.

Inchcape already has five Coca-Cola bottling *operations in central and southern* regions of Chile. Since 1983, the UK group has invested more than £35m in the business, which is the largest of its South American activities.

New focus for Delta to rebuild margins

By Tim Burt

Delta, the cables and engineering group, will "cull" underperforming businesses in an attempt to rebuild margins following a subdued performance last year.

The company, hit by customer destocking and raw material price increases, hinted that some operations could be jettisoned as it reduced exposure to the construction industry and concentrated instead on high technology cables and specialist engineering.

Mr Robert Easton, chief executive, said the overhaul would not result in significant restructuring charges.

As part of that programme, Delta last year took an £11m charge to cover the cost of *closing its cable manufacturing* plant near Manchester pushing pre-tax profits down to £53.1m ($81m), against £65.1m, despite increased sales.

Aware that the restructuring costs would dent its UK profits, Delta yesterday proposed paying a foreign income dividend – thereby limiting advance corporation tax write-offs to £1.3m.

By using a Fid, the company *has proposed a final pay-out of* 14.4p (11.2p), making a total of 18.9p (15.5p).

However, it said the use of Fids did not represent a permanent change to dividend policy.

The *industrial services* side, being expanded by the $9.7m acquisition of SEG, the Florida-based protecting coatings business, reported profits of £23.7m (£22.8m)

CMG

"An outstanding year . . ."

Summary results for the year to 31 December 1995

	1995	1994	Increase
Turnover	£196.5m	£146.3m	34%
Operating profit *(before flotation expenses)*	£19.7m	£13.9m	42%
Profit before tax *(before flotation expenses)*	£20.1m	£14.5m	38%
Earnings per share *(before flotation expenses)*	21.0p	14.8p	42%
Final dividend	3.2p		

(payable on 28 May 1996 to all shareholders on the share register on 23 April 1996.)

- Profits exceed forecasts at December flotation
- Group operating margin up from 9.5% to 10%
- Operating profits in the Netherlands up 32%
- Operating profits in the UK up 61%
- CMG Germany back in profit following acquisition of PECOM

Commenting on the outlook for the Group in the year ahead, CMG Chairman, Cor Stutterheim said, "We expect the Netherlands to maintain its success in 1996, the UK to continue its improvement and Germany to generate more acceptable profits. The new year has started well and I am confident that the budget for 1996 will be achieved."

CMG plc is one of Europe's leading IT services companies, with national operating companies in the UK, Holland and Germany. It was floated on the London and Amsterdam Stock Exchanges on 1 December 1995.
CMG provides consultancy, systems and computer services to over 500 blue chip clients in a number of business sectors, including finance, petrochemicals, telecommunications, the utilities and the public sector. CMG also provides application and administration services in payroll and personnel, company share registration and membership services.

Copies of the full 1995 Annual Report, which will be sent to shareholders week commencing 15 April, may be obtained from Michael Hemington, Group Communications, CMG plc, Telford House, Tothill Street, London SW1H 9NB, Tel: 0171-233 0488.

COMMODITIES AND AGRICULTURE

Fungus scare hits Chicago wheat futures

By Alison Maitland in London and Reuters in Washington

The US Department of Agriculture said yesterday it had halted the issue of fungus-free certificates for wheat exports to 21 countries following the discovery of a fungus in durum wheat seed in Arizona.

The news threw international grain markets into confusion, with wheat futures falling sharply in Chicago and rising in London.

The May wheat futures contract in Chicago was down 7½ cents at $4.84 a bushel by lunchtime after falling to $4.79 on fears about the prospects for US wheat exports. It closed down 8¼ cents at $4.83.

Mr Jerry Gidel, agricultural analyst at Dean Witter Reynolds in Chicago, said: "It's been quite emotional. We've got lots of confusion. But the short-term impact should be controllable".

Another US trader said the situation should not be overplayed. Arizona produced about 1.5m bushels of durum wheat a year for local milling, not export, compared with the 600m bushels of wheat grown in a big producing state like Kansas. "I don't think it's a major issue."

However, the law on certification was broad-based, which had added to confusion over the impact of the measure, he said.

In London, the news added to expectations of further increases in grain prices this year. Old crop wheat futures were up 90p at £116.45 a tonne but eased back to close between 65p and 85p higher.

Wheat prices are already high, having surged over the past nine months as poor harvests in major producing countries helped push world stocks to their lowest levels in 20 years. The European Union has imposed export taxes on wheat and barley to prevent internal prices rising further.

The karnal bunt fungus damages wheat and "makes it stink like fishmeal", said one US trader.

Grain inspectors in Arizona last week detected two lots of durum wheat seed infected with the fungus. A USDA official said a third lot was also being looked at. Emergency quarantines were imposed in the infected areas.

The USDA sent a notice on March 8 to export-certifying officials to refuse phytosanitary certification of wheat grain or seed to the 21 countries. The official said wheat being loaded now at ports could not be certified.

Countries affected include China, Russia Brazil, Argentina, Morocco and Algeria.

Ukrainian farmers seek glory in the free market

Matthew Kaminski on the start of the country's collective farm reorganisation programme

The collective farm workers wore their Sunday best. A red banner hanging above the assembly hall stage bore the legend: "Work brings glory and fame". Below a local television personality swung a gavel and emceed the meeting.

The Lenina collective in Minkivka, created in 1929, broke up last week. Not everyone among the 640 members backed the plan, or completely understood the complex mechanism used to do it.

Local leaders called the workers, who this year agreed to divide land and assets of the 4,500 hectare farm, "pioneers". "Today marks a new era," said Mr Oleksandr Lukyachenko, deputy governor of the Donetsk oblast, in eastern Ukraine.

Even before 1990 farmers could leave the collective. Few did. A single state farm broke up in western Ukraine, where memories remain of private enterprise under Polish rule. Now the government, along with western donors, wants to speed up the process – and give agricultural reform, seen as critical to Ukraine's economic revival, a timely shot in the arm.

Before last week's public distribution meeting, the first ever held in Ukraine, Lenina farmers agreed on land plots and inventoried assets. Each got certificates entitling him to some of both. All but ten chose to participate. No money could be used.

The assets will be divided at such meetings. In committees formed in previous weeks, 17 new farms were created and usually the workers living nearby cast in their lot with them. Ten families chose to start their own farms. Every collective member received the same share of land.

Nine new enterprises wrer also set up by some members, often the better educated specialists, who tried to entice others to join their new private companies with their share of the assets, such as tractors or stables. Mr Oleksandr Lantukh, the chief engineer, hoped to get his peers to sign up with his equipment repair outfit; Mr Anatoliy Zhukov wanted to open a mineral water bottling company at the farm.

"We've spent our whole lives on the collective and we're not sure what'll happen," said Mr Mykhailo Kulik, before adding, with little confidence: "Of course, the experiment must be supported".

The fear seemed to cut along generational lines. "They're robbing us," said pensioner Ms Vera Chegodska tearfully. "The new directors will put all the riches on their trucks, and leave nothing for us."

Stalin's brutal collectivisation drive starved to death an estimated 7m Ukrainian peasants. It worked. Even five years after the Soviet collapse, only 2 per cent of farm land is not in the government's hands.

A broad range of political parties opposes farm reform and hankers after an increase in state subsidies and trade controls. Even deeper appears the aversion to private ownership of land in a nation for centuries ruled by a tiny land-holding elite.

Few question the need for reforming agriculture, whose seasonal demands for state credits help drive up inflation each autumn. The country possesses some of the richest soil in the world – farming is 17.3 per cent of gross domestic product – and accounts for roughly half of the agricultural potential of the former Soviet Union. The food industry contributes another 14 per cent of Ukraine's economic output.

But the commitment to central planning policies, broken trade links and a generally spiralling economy quickly took a toll after the Soviet collapse; crop and livestock production has fallen about 20 per cent since 1990.

President Leonid Kuchma last year signed two decrees permitting private ownership of farm land. The Donetsk region's market-oriented governor, Mr Volodymyr Scherban, gave the green light last October to try it out.

The model was first used in Nizhny Novgorod, in central Russia, and then expanded to other regions. Since 1992, 81 farms have been transferred to the private sector. "Labour productivity increases, work ethic improves and management acts differently," said Mr Edward Nassim, director at the Europe department of the International Finance Corporation, which helped put together the Russian and Ukrainian programmes.

Critics charge, however, that it may be too slow, too expensive and too hard to replicate. Donetsk will go ahead with three farms now, and organisers claim others are eager too. But regions run by less pro-market leaders might not be receptive.

Aside from its economic role the collective plays an important social role in the east Slavic lands. It is the village community, which many fear will be destroyed by division.

In economic terms, a reorganisation must balance equity with efficiency. That also has proved hard elsewhere. A World Bank agricultural economist added that land reform needed to go hand in hand with privatising agro-businesses, freeing internal trade and prices, and reducing trade barriers - which, in the end, might be more important than the messy redistribution of land and assets.

In these areas, Ukraine has made some progress in recent months. Already 40 per cent of Ukrainian farmers get their seeds, fertilisers and other inputs from private suppliers on the free market. Once tied to state contracts that forced producers to sell at below market prices, they can today choose a newly opened commodities exchange or western agro-business concern. Trade restrictions remain cumbersome, however.

As the communists rail against turning land into a "commodity", the market reformers counter that last year roughly 40 per cent of all food output came from privately held land, including the ubiquitous weekend garden plots that allow Ukrainians to live better than the average wages suggest.

Greece aims to unblock protest-hit gold project

By Kerin Hope in Athens

The Greek government would try to stop environmental protests that have blocked a $200m gold-extraction project in northern Greece by TVX Hellas, a subsidiary of TVX Gold of Canada, officials said this week.

Villagers living near the Kassandra mines, acquired by TVX Hellas in December under Greece's privatisation programme, claim the project will contaminate water supplies and damage tourism. For the past two months they have prevented TVX Hellas employees from carrying out preliminary work at the site.

TVX Hellas, which spent almost two years negotiating the Kassandra deal, says it has no immediate plans to invoke the "force majeure" clause of its contract with the development ministry and pull out of Greece, but that it cannot postpone the project indefinitely.

Government officials said protestors would face prosecution for raising roadblocks around the site, while local government officials would be given detailed briefings on measures being taken to protect the environment.

TVX Hellas has said it will spend $7m on environmental protection measures at Kassandra, including infilling of disused mines and other measures to prevent ground water contamination.

The Kassandra mines have proven reserves of over 13m tonnes of lead and zinc ore, with a grade of 6 grams per tonne of gold, equivalent to 2.8 troy ounces. The mining operation also has a stockpile of 200,000 tonnes of gold-bearing pyrite with a gold content of 25 grams a tonne, equivalent to some 145,000 ounces of gold.

LME WAREHOUSE STOCKS
(As at Thursday's close)
tonnes

Aluminium	+8,400	to 709,625
Aluminium alloy	+180	to 75,200
Copper	-625	to 343,100
Lead	-2,700	to 95,750
Nickel	-570	to 36,894
Zinc	-1,250	to 629,350
Tin	-30	to 9,750

'Further grain prices rises likely'

By Alison Maitland

World demand for grains has not fallen enough in response to high prices to balance supply and further price increases are likely this year, according to the World Bank.

In its quarterly survey of commodity markets and developing countries, the bank forecasts a further increase of 4.5 per cent for US hard red winter wheat prices this year before they fall in 1997.

It also predicts that fertiliser prices will remain high for another year because of firm grain prices and limited spare production capacity.

On the outlook for grains, the bank says it is unlikely production can recover enough to rebuild stocks in a single year. The International Grains Council said last month world wheat stocks would be just 88m tonnes by mid-year, lower than than the already tight 90m tonnes it forecast previously.

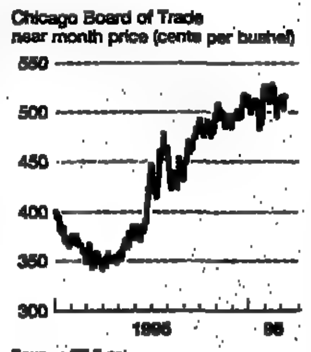
The bank says that if grain production increased by 11.1 per cent as it did in 1984 – the biggest single-year increase since 1960 – stocks would rise by about 80m tonnes to 17.3 per cent of consumption. This would still be in the lowest 20 per cent of annual stock-to-use ratios since 1960.

"If production falls short of this record increase, stocks will remain very low by historical comparison," the bank says.

Output is unlikely to rise as rapidly as in 1984 because there is less leeway for US grain expansion. US acreage control programmes are small compared with the large programmes operating in 1983 and were then reduced in 1984 to boost production, it says.

Wheat

Chicago Board of Trade
near month price (cents per bushel)



Source: FT Extel

"Some increase in area is expected in the US, however, as land flooded last summer is returned to production."

The bank confirms the growing view that prospects for the next northern hemisphere wheat crop appear good. This is the case for China, India, Russia, Ukraine, the EU and the US mid-west, it says. However, dry conditions in the southern US plains raise concern over the hard red winter wheat crop.

Demand for fertilisers should rise by at least 5 per cent in the US and 3 per cent worldwide over the coming year, the bank says.

US demand should be boosted by strong maize prices and the return to production of land flooded last year. Developing countries are likely to demand more fertilisers and the fall in use by countries of the former Soviet Union and eastern Europe may be coming to an end.

"These factors should keep fertiliser prices high for the next season," it says. "However, new capacity being developed in a number of countries will bring down prices over the medium term."

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne) [illegible]

■ ALUMINIUM ALLOY ($ per tonne) [illegible]

■ LEAD ($ per tonne) [illegible]

■ NICKEL ($ per tonne) [illegible]

■ TIN ($ per tonne) [illegible]

■ ZINC, special high grade ($ per tonne) [illegible]

■ COPPER, grade A ($ per tonne) [illegible]

■ LME AM Official £/$ rate: [illegible]

■ HIGH GRADE COPPER (COMEX) [illegible]

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild) [illegible]

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.) [illegible]

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.) [illegible]

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.) [illegible]

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.) [illegible]

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel) [illegible]

■ CRUDE OIL IPE ($/barrel) [illegible]

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.) [illegible]

■ GAS OIL IPE ($/tonne) [illegible]

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu) [illegible]

■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.) [illegible]

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne) [illegible]

■ WHEAT CBT [illegible]

■ MAIZE CBT [illegible]

■ BARLEY LCE (£ per tonne) [illegible]

■ SOYABEANS CBT [illegible]

■ SOYABEAN OIL CBT [illegible]

■ SOYABEAN MEAL CBT [illegible]

■ POTATOES LCE (£/tonne) [illegible]

■ FREIGHT (BIFFEX) LCE ($10/index point) [illegible]

FUTURES DATA
All futures data supplied by CMS.

SOFTS

■ COCOA LCE (£/tonne) [illegible]

■ COCOA CSCE (10 tonnes; $/tonnes) [illegible]

■ COCOA (ICCO) (SDR's/tonne) [illegible]

■ COFFEE LCE ($/tonne) [illegible]

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs) [illegible]

■ COFFEE (ICO) (US cents/pound) [illegible]

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs) [illegible]

■ WHITE SUGAR LCE ($/tonne) [illegible]

■ SUGAR '11' CSCE (112,000lbs; cents/lbs) [illegible]

■ COTTON NYCE (50,000lbs; cents/lbs) [illegible]

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs) [illegible]

INDICES

■ REUTERS [illegible]

■ CRB Futures [illegible]

■ GSCI Spot [illegible]

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs) [illegible]

■ LIVE HOGS CME (40,000lbs; cents/lbs) [illegible]

■ PORK BELLIES CME (40,000lbs; cents/lb) [illegible]

LONDON TRADED OPTIONS

[illegible]

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel) [illegible]

■ OIL PRODUCTS NWE prompt delivery CIF (tonne) [illegible]

■ OTHER [illegible]

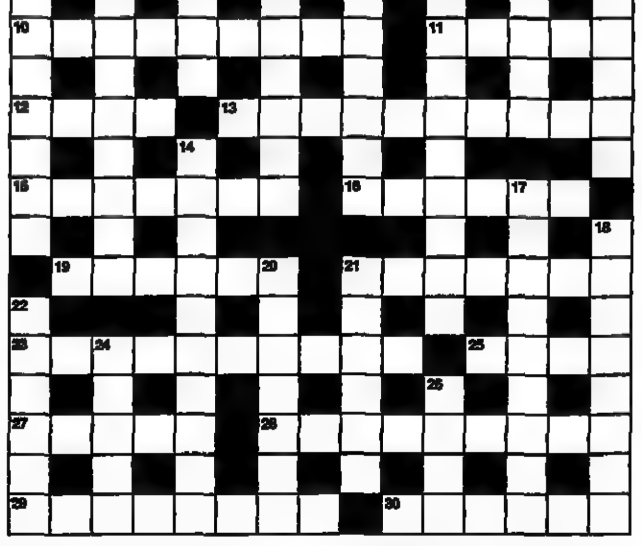
VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME and CSCE are one day in arrears.

Minor Metals [illegible]

JOTTER PAD

CROSSWORD

No. 9,017 Set by CINEPHILE



Solutions to clues marked * are examples of courses marked †

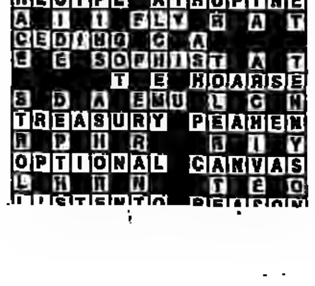
ACROSS

1 *Not much to play with (6)
4 *I shriek, you can hear (3,5)
10 Clothes in a river with name on envelope (9)
11 Indian leader backing old city layer (5)
12 Relative to turn into social worker (4)
13 Blonde turning to God kills company (10)
15 †Leave sound (7)
16 Sappers send bird back to start again (6)
19 Personal assistant in scheme is a crazy fellow (6)
21 *Dancer gives father five to fifty eggs (7)
23 Ministry of Defence in gate following the present? (4-6)
25 Deity lives twice (4)
27 Live successfully on deity? (5)
28 Rude, caused by sin 'n' guilt (9)
29 Inertia at start of Go-between (Hartley novel) (8)
30 †A foot ruler's? (6)

DOWN

1 Leaves container to give drink to club bearer (3,5)
2 Home, completed, is raised by a country (9)
3 Vegetable given by American general to king (4)
5 Gorge on cheese (7)
6 Coming to an end, which [illegible]
7 Principle in the thick of it (5)
8 *Ungulate heard rodent eating snake's head (6)
9 Companion of the oriental kind, about a hundred (6)
14 *Inform on singer (5,5)
17 Hooch at night? That's silly talk (9)
18 Planet has absorbed gravity, being mostly methane (5,3)
20 †Delete row in dog food (7)
21 Set of words that are right in a stage (6)
22 A case for a student with no feet (6)
24 †This bread is meat, darling (5)
26 Pitch sign – compare the French interior (4)

Solution 9,016



INTERNATIONAL CAPITAL MARKETS

Europe loses gains after Treasuries move lower

By Samer Iskandar in London and Lisa Bransten in New York

European bond markets opened higher yesterday morning in Europe, capitalising on the positive mood in late trading in the US on Monday. But later in the day they suffered from profit-taking when Treasuries were hit early in the New York session.

Analysts are still convinced that the current level of yields offers good buying opportunities, but they do not expect any significant interest from investors in coming days. Market participants point to 1994, which saw one of the worst performances of bond markets in recent memory.

"Investors who got burned [that year] have not forgotten. They will stay on the sidelines this time," said Mr Ken Wattret, an international economist at HSBC Markets. He still believes that economic fundamentals in Europe are encouraging, but says "fundamentals are not driving the market".

Instead, European debt yields seem still unable to decouple from US Treasuries. Observers also warn of possible mood swings, as the market could well "remain shaky in the short term".

Longer-term, however, Mr Wattret is bullish and believes that the recent correction has offered good buying opportunities. He nonetheless warns that "it will take a major event, such as an easing in official German rates by the Bundesbank", to put European markets back on the right track.

However, few observers expect the German central bank to ease monetary policy after tomorrow's fortnightly meeting, or even in coming weeks, not least because "the council [of the Bundesbank] hates volatile markets and will not risk a negative reaction".

Market participants in Europe are therefore likely to continue focusing on releases of US economic data for inspiration in the near future.

GOVERNMENT BONDS

■ A jump in new car sales in early March was one factor sending US Treasury prices lower in early trading yesterday, pushing the yield on the benchmark 30-year bond above 6.7 per cent.

Near midday, the long bond was a full point lower at $90\frac{4}{32}$, reversing nearly all the gains made on Monday as the market recovered from Friday's sell-off. The yield was 6.710 per cent. At the short end, the two year note was $\frac{1}{32}$ lower at $98\frac{27}{32}$, yielding 5.738 per cent.

Trading was jittery as investors struggled to assess the strength of the US economy. The market tumbled on Friday on news that employment growth in February was more than double what most analysts had expected, but bonds regained their footing on Monday as many investors decided that the jobs data might not have been an accurate indicator of the state of the economy.

Yesterday, investors chose to focus on the stronger of the day's two releases of economic figures. CNW Marketing said new car sales rose 15.2 per cent in the first 10 days of March.

Meanwhile, the Federal Reserve Bank of Atlanta said its index of business activity in the south-eastern US fell to a negative 14.9 in February from a negative 13.2 in January. But while those figures contradicted last week's strong employment numbers, the report was worrisome to the market because the Atlanta Fed said most of its indicators of future business activity had "rebounded noticeably".

■ UK gilts ended lower, with Liffe's June future settling at $104\frac{4}{32}$, down $\frac{15}{32}$. In after-hours trading, the contract was still losing ground, reaching a low of $103\frac{28}{32}$ late in the afternoon. The June short sterling contract closed up 0.04 at 93.91.

Some observers were concerned that if volatility remained as high as in recent days, demand for gilts by final investors could be dampened, which might affect the Treasury's next auction.

■ German bunds also lost ground during and after the official trading session. The June contract on 10-year bunds, listed on Liffe, settled at 95.19, down 0.37. In after-hours screen-based trading, the price fell further, breaking the 95.00 and 94.90 barriers.

■ French OATs ended lower in the wake of US Treasuries and bunds. The March notional contract on Matif closed at 120.58, down 0.22, and was edging lower after the official close. On Globex late in the afternoon, it reached a low of 120.32. The spread of 10-year OATs over bunds widened by 3 basis points to 16 points.

Flurry of deals in store after M&A spree last year

By Antonia Sharpe

The syndicated loans market is poised for a flurry of financings related to leveraged or management buy-outs in the coming weeks.

Attracting the most attention is the financing for the $300m management buy-out of Dunlop Slazenger, one of the world's leading sports goods manufacturers, from BTR, the UK industrial conglomerate.

SYNDICATED LOANS

NatWest is arranging senior debt facilities of up to £162.5m, including acquisition term finance and ongoing working capital and trade finance. Syndication is likely to start in the next three to four weeks.

NatWest declined to comment on pricing or provide any other details at this stage. Bankers said margins on recent buy-out financings had ranged from 175 to 200 basis points over Libor.

This area of the market is expected to remain buoyant in the coming months as the mergers and acquisitions spree of the last year results in the disposal of companies which are seen to be non-core businesses within the new groups.

However, it appears that banks involved in leveraged financings are acting more conservatively than in the late 1980s. For example, they require a greater equity investment before they agree to finance buy-outs.

Among other transactions in the market, bankers expect the $500m seven-year revolving credit facility for Saint-Gobain, the French glass and materials group, to be doubled because of strong demand from banks to participate.

The loan, being arranged by ABN Amro, Chemical Bank and Deutsche Morgan Grenfell, carries a margin of 12½ basis points over Libor for the first five years, then 15 points over.

Bankers also report that the syndication of the $1bn facility for Anglo American Corporation, the South African mining and industrial conglomerate, has gone well and a strong group has been formed.

Meanwhile, general syndication of the £2.5bn facility for Granada, the UK TV and leisure group, to finance its takeover of hotels group Forte, has closed. Nine banks joined the three arrangers, ABN Amro, BZW and Chemical, and 16 sub-underwriters.

BZW has also completed a $1bn 364-day refinancing for Salomon Brothers which will be signed on Friday. The facility is secured against securities held by Salomon.

● Zagrebacka Banka, Croatia's second-largest bank, last week became the country's first private-sector borrower to tap the international syndicated loans market, with the signing of its SFr130m one-year facility, writes Gavin Gray in Zagreb.

The loan was heavily oversubscribed and increased from SFr60m. Joint arrangers were Creditanstalt, Dresdner Bank and Union Bank of Switzerland, and 27 other banks joined the syndicate.

The spread was 300 basis points over Libor, 30 basis points wider than the first Croatian syndication, a DM50m government-guaranteed facility arranged in January.

Mr Franjo Lukovic, the bank's chairman, said it intended to raise a medium-term facility later this year, once the Croatian government has reached an agreement with international creditors on what share it will assume of the former Yugoslav bank debt.

First fixed-rate offering under UK Private Finance Initiative

By Conner Middelmann

Although the mood in the primary eurobond market remained cautious, the sector saw several floating-rate note offerings, the largest-ever asset-backed securities deal and the first fixed-rate issue under the UK government's Private Finance Initiative.

The latter, £165m of bonds for Road Management Consolidated yielding 80 basis points over gilts, was fully placed by the time it was officially launched, according to lead managers Lehman Brothers and SBC Warburg.

The deal is the first large sterling bond to be structured as a "deferred annuity" – where principal is to be repaid along with interest from December 2000 to the bonds' maturity in 2021. The issue is guaranteed by AMBAC, a US monoline insurer with triple-A rated claims paying ratings.

The restructuring of debts of GPA, the Ireland-based aircraft leasing group, finally got under way yesterday when Airplanes Group, a separate special-purpose vehicle, launched the securitisation of a $4.5bn portfolio of aircraft on operating leases, the largest asset-backed transaction to date, raising $4.05bn.

INTERNATIONAL BONDS

Some of the proceeds will be used to pay down GPA bank debt maturing in September 1997 and help it meet $1.6bn of other obligations.

The deal repackages the cash flows from GPA's 229 aircraft currently under lease to 83 airlines. The global offering includes five double-A rated senior classes worth some $2.9bn, three subordinate tranches totalling around $1.2bn and a portion to be retained by GPA. The transaction will be priced today, said book-runner Morgan Stanley.

The floating-rate sector saw a flurry of deals, with borrowers taking advantage of the recent shift in sentiment from fixed-rate assets amid interest-rate uncertainty. However, most deals were slow to get moving, partly due to their relatively aggressive pricings.

Among sovereign borrowers, Portugal issued DM1.5bn of five-year notes yielding one basis point below Libor at the re-offer price and the Hellenic Republic issued $500m of seven-year notes priced to yield 64 basis points over Libor.

Ford Motor Credit Corp issued a $300m five-year floater which, according to lead manager HSBC Markets, benefited from the Bank of England's recent adoption of BIS guidelines for risk weightings of corporate bonds. Since January, corporate securities will require only a 20 per cent risk weighting, rather than the previous 100 per cent weighting, if they are held in a mark-to-market trading account. "This should help corporate spreads and bring more corporate deals to the floating-rate market," a syndicate manager said.

The Woolwich Building Society launched a £250m five-year floater, while Bacob, the Belgian bank, issued DM200m of three-year FRNs.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
GPA Group(a)‡ A-1	700	(a)	(a)	Mar 1998	(a)	-	Morgan Stanley
GPA Group‡ Class A-2	600	(a)	(a)	Mar 1999	(a)	-	Morgan Stanley
GPA Group‡ Class A-3	500	(a)	(a)	Mar 2001	(a)	-	Morgan Stanley
Hellenic Republic(b)‡	500	(b1)	99.22R	Mar 2003	0.35R	-	CS First Boston/Salomon
UBE Industries(c)ф	400	[illegible]	100.00	Mar 2000	2.25	-	Yamaichi Intl
Ford Motor Credit Corp(d)‡	300	(d1)	99.71R	Apr 2001	0.175R	-	HSBC Markets
DSL Bank	250	6.00	99.95R	Apr 1999	0.188R	+5(5%-99)	Nomura/SBC Warburg
Uniden 30(e)ф	137	4.25	100.00	Mar 2000	2.25	-	Nomura Intl
Nikken Chemicals(f)ф	100	3.25	100.00	Mar 2000	2.25	-	Daiwa Europe
D-MARKS							
Portugal‡	1.5bn	(h)	99.82R	Mar 2001	0.15R	-	Morgan G'fell/JP Mgn
Bacob Overseas‡	200	(k)	99.99R	Apr 1999	0.10R	-	Nomura Bank(Deutsch)
RATP(j)#	200	4.88	99.71R	Dec 1999	0.23R	-	BNP/CSF Effectenbank
SWISS FRANCS							
Guinness	*100*	*4.00*	*102.90*	*Apr 2001*	*undisc*	-	*SBC Warburg*
STERLING							
Road Management Consd	165	9.18	99.97R	Jun 2021	1.60R	+80(8%-12)	Lehman Brothers/SBCW
Woolwich Bldg Soc‡	250	(g)	99.965	Mar 2001	0.10	-	Dresdner Kleinwort Bens
FRENCH FRANCS							
EIB	3bn	6.75	99.89R	Apr 2006	0.325R	+5(OAT-06)	ABN Amro/BNP/Paribas
SPANISH PESETAS							
SNCF	*10bn*	*9.30*	*101.48*	*Apr 2001*	*1.625*	-	*BSN/CCF*

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. фWith equity warrants. ‡ Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) Pricing and fixing today. Class A1-A4: soft bullet notes. Redemption at 102% on any payment date: +50bp step-up int feature. a1) Cls A-4: $500m. Maturity: Mar 03. a2) Class A-5 amortizing note, redeemable at par Amount: $375m. Maturity: Mar 1999. b) Callable at par from Mar 98. b1) 3-mth Libor +50bp. c) Fixing: 18/3/96. If initial subscription is below Y341, the issue will be withdrawn. d) Callable at par after 3 yrs. d1) 3-mth Libor +15bp. e) Fixing: 21/3/96. Exercisable into shares of Uniden Corp. f) Fixing: 18/3/96. g) 3-mth Libor +⅛bp. h) 3mth Libor -5bp. j) Regie Autonomes des Transports Parisiens. k) 1-mth Libor +5bp.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		10.000	02/06	106.1720	+0.270	9.05	8.44	8.00
Austria		6.125	02/06	96.0200	−0.180	6.69	6.47	6.19
Belgium		7.000	05/06	97.4600	−0.220	7.36	6.76	6.31
Canada *		[illegible]	12/05	106.3700	+0.130	7.80	7.07	7.01
Denmark		8.000	03/06	101.5000	−0.240	7.78	7.49	7.08
France	BTAN	7.000	10/00	104.6250	−0.250	5.82	5.58	6.38
	OAT	7.250	04/06	103.5100	−0.790	6.76	6.58	6.41
Germany Bund		6.000	02/06	95.7500	−0.630	6.60	6.33	5.87
Ireland		8.000	08/06	98.8500	−0.500	8.15	7.78	7.34
Italy		9.500	02/06	93.7800	−0.100	10.52†	10.10	9.90
Japan	No 129	6.400	03/00	118.9900	−0.200	1.84	1.88	1.85
	No 182	3.000	09/05	98.3630	−0.180	3.23	3.22	3.02
Netherlands		6.000	01/06	95.8400	−0.380	6.57	6.21	5.84
Portugal		11.875	02/05	111.7900	+0.040	9.83	9.64	9.36
Spain		10.150	01/06	100.1900	−0.120	10.09	9.98	9.49
Sweden		6.000	02/05	81.7200	+0.470	9.08	9.02	8.35
UK Gilts		8.000	12/00	101-23	−7/32	7.55	7.03	6.79
		7.500	12/06	95-04	−16/32	8.19	7.82	7.48
		9.000	10/08	105-10	−18/32	8.31	7.96	7.63
US Treasury *		5.625	02/06	94-13	−2/32	6.39	5.98	5.59
		6.000	02/26	90-24	−9/32	6.72	6.40	6.06
ECU (French Govt)		7.500	04/05	100.6100	−1.180	7.40	6.99	6.60

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
		One month	5.17	Two year	5.70
Prime rate	8¼	Two month	5.13	Three year	5.93
Broker loan rate	7	Three month	5.09	Five year	6.07
Fed.funds	5¼	Six month	5.19	10-year	6.42
Fed.funds at intervention	-	One year	5.41	30-year	6.73

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	120.94	120.58	−0.22	120.94	120.36	145,431	94,621
Jun	120.90	120.46	−0.26	120.90	120.26	39,464	72,465
Sep	119.66	119.26	−0.26	119.66	119.28	341	2,524

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Apr	Calls May	Calls Jun	Puts Apr	Puts May	Puts Jun
119	-	-	-	0.20	0.57	0.91
120	-	-	-	0.64	0.89	1.22
121	0.46	0.84	1.14	0.98	-	1.70
122	0.18	0.47	0.74	1.67	1.95	2.24
123	0.05	0.22	0.42	-	-	2.93

Est. vol. total, Calls 10,026 Puts 21,886. Previous day's open int., Calls 152,196 Puts 137,443.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	95.79	95.19	−0.35	95.79	94.86	191691	225827
Sep	94.80	94.36	−0.36	94.80	94.30	150	3395

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Apr	Calls May	Calls Jun	Calls Sep	Puts Apr	Puts May	Puts Jun	Puts Sep
9500	0.64	1.12	1.35	1.35	0.45	0.93	1.16	1.99
9550	0.38	0.86	1.09	1.12	0.69	1.16	1.40	2.26
9600	0.20	0.63	0.86	0.92	1.01	1.44	1.67	2.56

Est. vol. total, Calls 19307 Puts 23041. Previous day's open int., Calls 281759 Puts 191610

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	108.61	108.30	-0.14	108.63	107.80	51499	52269
Sep	-	107.80	-0.14	-	-	0	0

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Jun	Calls Sep	Puts Jun	Puts Sep
10800	2.14	2.72	1.84	2.92
10850	1.87	2.49	2.07	3.19
10900	1.63	2.27	2.33	3.47

Est. vol. total, Calls 3077 Puts 1268. Previous day's open int., Calls 82481 Puts 44522

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	93.90	93.64	−0.10	93.88	93.36	[illegible]	34,698
Jun	93.55	93.13	−0.02	93.56	93.00	7,948	20,839

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	105-22	105-07	-0-13	105-23	105-00	3610	28953
Jun	104-24	104-09	-0-15	105-00	103-29	57284	121323

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Apr	Calls May	Calls Jun	Calls Sep	Puts Apr	Puts May	Puts Jun	Puts Sep
104	0-56	1-32	1-57	1-62	0-38	1-14	1-39	2-50
105	0-25	1-01	1-24	1-36	1-08	1-47	2-08	3-24
106	0-10	0-41	0-63	1-15	1-56	2-23	2-46	[illegible]

Est. vol. total, Calls 1622 Puts 2810. Previous day's open int., Calls 44805 Puts 28561

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	89.26	88.24	−0.72	88.96	88.18	2,445	5,722
Jun	88.40	87.78	−0.72	88.44	87.70	1,950	6,156

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	112-24	111-16	−1-12	112-24	111-16	24,172	66,238
Jun	112-05	110-29	−1-13	112-09	110-29	442,456	326,296
Sep	111-23	110-14	−1-11	111-23	110-11	1,550	15,764

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Jun	118.68	-	-	118.72	118.63	1161	0
Sep	117.50	-	-	117.54	117.50	25	0

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Tue Mar 12	Day's change %	Mon Mar 11	Accrued interest	xd adj. ytd		Low coupon yield Mar 12	Mar 11	Yr. ago	Medium coupon yield Mar 12	Mar 11	Yr. ago	High coupon yield Mar 12	Mar 11	Yr. ago
1 Up to 5 years (23)	121.53	−0.04	121.58	2.59	1.65	5 yrs	7.63	7.59	8.52	7.67	7.63	8.64	7.77	7.72	8.66
2 5-15 years (20)	144.66	−0.29	145.10	3.02	1.35	15 yrs	8.37	8.31	8.44	8.37	8.32	8.55	8.47	8.42	8.76
3 Over 15 years (9)	167.43	−0.46	168.20	2.47	2.82	20 yrs	8.44	8.39	8.41	8.43	8.38	8.55	8.51	8.46	8.67
4 Irredeemables (6)	180.60	−0.33	181.19	4.13	0.00	Irred.†	8.48	8.45	8.46						
5 All stocks (58)	140.28	−0.23	140.61	2.73	1.63										

Index-linked	Tue Mar 12	Day's change %	Mon Mar 11	Accrued interest	xd adj. ytd		Inflation 5% Mar 12	Mar 11	Yr. ago	Inflation 10% Mar 12	Mar 11	Yr. ago
6 Up to 5 years (1)	196.92	−0.22	196.34	3.35	0.00	Up to 5 yrs	2.12	2.00	[illegible]	1.86	1.78	2.40
7 Over 5 years (11)	183.05	−0.22	183.45	1.24	0.83	Over 5 yrs	3.82	3.80	3.90	3.63	3.61	3.72
8 All stocks (12)	183.21	−0.22	183.62	1.29	0.82							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Mar 12	Mar 11	Mar 8	Mar 7	Mar 6	Yr ago	High*	Low*
Govt. Secs. (UK)	91.97	92.19	92.64	93.39	93.74	91.52	98.34	90.22
Fixed Interest	111.12	111.58	111.71	111.92	112.13	109.54	118.23	108.77

*for 1995/96. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Mar 11	Mar 8	Mar 7	Mar 6	Mar 5
Gilt Edged bargains	n/a	170.6	94.9	136.3	130.8
5-day average	n/a	127.8	109.0	110.0	104.5

UK GILTS PRICES

	Notes	Yield Int	Yield Red	Price £	+ or −	52 week High	52 week Low
Shorts" (Lives up to Five Years)							
Treas 15¼pc 1996‡‡		15.05	5.84	[illegible]	[illegible]	[illegible]	[illegible]
Exch 13¼pc 1996‡‡		13.08	5.79	[illegible]	[illegible]	[illegible]	[illegible]
Conversion 10pc 1996		9.75	6.08	[illegible]	[illegible]	[illegible]	[illegible]
Treas 13¼pc 1997‡‡		12.52	6.17	[illegible]	[illegible]	[illegible]	[illegible]
Exch 10½pc 1997		10.11	6.21	[illegible]	[illegible]	[illegible]	[illegible]
Treas Cnv 7pc 1997‡‡		6.95	6.46	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]							
Treas 8½pc 2005‡‡		8.32	8.15	[illegible]	[illegible]	[illegible]	99½
Treas 7½pc 2006‡‡		7.89	8.18	[illegible]	[illegible]	[illegible]	[illegible]
Treas 7¾pc 2006‡‡		8.03	8.23	[illegible]	[illegible]	103¼	[illegible]
Treas 8pc 2002-6‡‡		8.14	8.27	[illegible]	[illegible]	[illegible]	[illegible]
Treas 11¾pc 2003-7		9.87	9.08	119	[illegible]	[illegible]	[illegible]
Treas 8½pc 2007 ‡‡		8.37	8.27	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]							

Index-Linked	Notes	Yield (1)	Yield (2)	Price £	+ or −	52 week High	52 week Low
2pc '96	(67.9)	-	0.86	[illegible]	[illegible]	[illegible]	[illegible]
4⅝pc '98‡‡	(135.6)	1.88	3.12	[illegible]	[illegible]	[illegible]	[illegible]
2½pc '01	(78.3)	3.16	3.64	[illegible]	[illegible]	[illegible]	168
2½pc '03	(78.8)	3.33	3.70	[illegible]	[illegible]	[illegible]	164
4⅜pc '04‡‡	(135.6)	3.39	3.73	[illegible]	[illegible]	[illegible]	[illegible]
2pc '06	(69.5)	3.47	3.74	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]							

(b) Figures in parentheses show RPI base for indexing. [illegible]

Other Fixed Interest

[illegible]

• "Tap" stock. ‡‡ Tax-free to non-residents on application. [illegible]

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on March 12

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	95⅛	95⅜		6.79
ABN Amro Bank 7¼ 05	1000	101⅛	102		7.11
African Dev Bk 7⅞ 23	500	98	98½	+⅛	7.65
Alberta Province 7⅜ 98	1000	103½	103⅞		6.15
Asian Dev Bank 6¼ 05	750	95¼	95⅝	+⅛	6.63
Austria 8½ 00	400	107⅛	[illegible]		6.39
[illegible]					
Sweden 6 97	2500	105⅛	105⅜	−⅛	4.06
United Kingdom 7¼ 97	5500	105	105⅛		3.66
Volkswagen Intl Fin 7 03	1000	101⅞	102		6.66
World Bank 0 15	2000	23½	[illegible]	+1	6.37
World Bank 5¾ 03	3000	97⅛	97⅞	+⅛	6.25
SWISS FRANC STRAIGHTS					
[illegible]					
Abbey Natl Treasury 8 03 £	1000	97⅞	97⅞		8.46
Alliance Leics 11⅜ 97 £	100	105	105⅛		6.69
British Land 8⅞ 23 £	150	87⅞	88⅛	−½	10.46
Denmark 6⅛ 98 £	800	98⅞	99	−⅛	7.24
EIB 8 03 £	1000	98⅞	98⅞		8.25
GLAXO WELLCOME 8¾ 05 £	500	99½	99¾	−⅛	8.82
Hanson 10⅜ 97 £	500	104½	104¾	−⅛	7.25
[illegible]					

[illegible]

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. [illegible]
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. [illegible]

هكذا من الأصل

CURRENCIES AND MONEY

MARKETS REPORT

Currencies idle as bonds and equities dominate

By Philip Gawith

Foreign exchanges endured another frustrating day yesterday with currencies remaining largely inured from the tensions evident elsewhere in bond and equity markets.

The slide in US and share and bond prices which failed to materialise on Monday was evident yesterday, and the negative showing of financial markets pulled the dollar lower. It finished in London at DM1.4805, from DM1.4823, and at Y105.645 from Y105.345. It later fell below DM1.48 in New York trading.

There was little price movement in Europe, with most traders preferring to take to the sidelines ahead of Thursday's Bundesbank council meeting. The D-Mark closed at FFr3.423 from FFr3.427. The Bank of Portugal cut its repo rate to a fixed 7.9 per cent on Tuesday from 8 per cent.

Sterling lost ground against a background of renewed political nervousness following the announcement of a by-election date, which is likely to see the government's majority cut to one from two. It finished at DM2.2501, from DM2.2592. Against the dollar it closed at $1.5199, from $1.5242.

The trade weighted index finished at 83.2, from 83.6.

■ One of the curiosities of the currency markets at present is that while volatility in bonds, equities and commodities has been rising, it has been declining in currencies ever since the dollar bottomed last October.

Mr Joe Prendergast, currency analyst at Merrill Lynch in London, said the situation was somewhat reminiscent of early 1994 when currency markets remained range-bound despite turmoil in asset markets, especially after the Federal Reserve raised interest rates. He said it was not until the volatility in the underlying markets had resolved itself that volatility returned to the currency markets.

The general lament at the moment is that currency markets lack direction, a problem not so far solved by the volatility in bonds and equities.

Mr Mark Hendriks, head of economic research at SBC Warburg in London, said he did not understand why the market remained so bullish about the dollar. While the first response to the stronger payroll report was that it would boost lower interest rates and the dollar, he said further reflection suggested this trend would cause a deterioration in the trade balance, higher inflation and raise questions about the credibility of the Fed which would be bad for the dollar.

"The bottom line is that the dollar has not broken out of a trading range in spite of some fairly dramatic developments which were not expected," said Mr Hendriks.

■ Mr Richard Koo of the Nomura Research Institute in Tokyo has offered a interesting gloss on the importance of last Friday's US jobs report for the dollar. He notes that at the end of last year, many foreign hedge funds were borrowing short-term yen funds and converting them to dollars in order to buy US treasuries.

This trade, he said, was built on three assumptions: that the Bank of Japan would continue to guide interest rates lower for an extended period; that yen weakness would continue, owing to a large gap between US and Japanese interest rates; and that capital gains on US treasuries were a good bet, given likely Fed rate cuts.

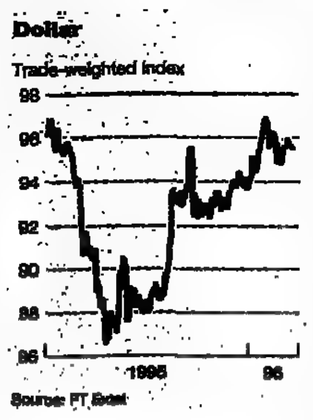
Mr Koo said the first assumption had been smashed by Mr Wataru Kubo, the Japanese finance minister, recently hinting at higher rates, the second "largely disproved" by the BOJ needing to spend $20bn to support the dollar, while the third had been "completely smashed" by the labour report.

Mr Koo concludes that short yen/long dollar positions have become "extremely risky", and with investors less likely to build these positions, "the resulting supply/demand conditions should push the yen up versus the dollar."

He said it was difficult to imagine a "one-way" appreciation of the dollar against the yen on the basis of rising interest rate differentials.

■ The market remains very much dollar-focused, but one interesting development concerns the D-Mark/French franc rate which is once more within the old narrow, 2.25 per cent fluctuation band against the D-Mark. Volatility on this currency cross has also collapsed.

Mr Prendergast said this reflected "underlying speculation that D-Mark/French franc could return sometime this year to some sort of narrower band."



■ Pound in New York

Mar 12	—Latest—	— Prev. close —
£ spot	1.5215	1.5245
1 mth	1.5206	1.5235
3 mth	1.5189	1.5217
1 yr	1.5115	1.5143

■ OTHER CURRENCIES

Mar 12	£	$
Czech Rp	41.3851 - 41.4194	27.2360 - 27.2400
Hungary	217.228 - 217.404	142.880 - 143.010
Iran	4573.60 - 4571.40	3000.00 - 3000.00
Kuwait	0.4563 - 0.4523	0.2990 - 0.2995
Poland	3.9150 - 3.9191	2.5765 - 2.5780
Russia	7354.30 - 7362.30	4840.00 - 4843.00
U.A.E.	5.5809 - 5.5837	3.6729 - 3.6730

POUND SPOT FORWARD AGAINST THE POUND

Mar 12		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	15.8258	-0.082	180 - 336	15.8944	15.7919	15.7988	2.3	15.7139	2.8	-	-	105.9
Belgium	(BFr)	46.2698	-0.1819	475 - 918	46.4480	46.1930	46.1598	2.9	45.9548	2.7	45.0748	2.6	108.1
Denmark	(DKr)	8.6913	-0.039	870 - 055	8.7291	8.6736	8.6783	1.8	8.6537	1.7	8.5602	1.5	109.0
Finland	(FM)	6.9815	-0.0449	742 - 888	7.0240	6.9740	6.9771	0.8	6.969	0.7	-	-	83.9
France	(FFr)	7.7022	-0.0386	985 - 051	7.7380	7.6846	7.6894	2.0	7.6681	1.8	7.5506	1.6	109.4
[illegible]													

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Mar 12		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan index
Europe													
Austria	(Sch)	10.4128	-0.0113	100 - 155	10.4810	10.4060	10.3988	1.6	10.3653	1.8	10.2428	1.6	105.8
Belgium	(BFr)	30.4435	-0.0335	360 - 510	30.5610	30.4350	30.3985	1.8	30.3065	1.5	29.9735	1.5	107.7
Denmark	(DKr)	5.7185	-0.0025	170 - 200	5.7377	5.7150	5.7151	0.7	5.7095	0.6	5.726	-0.1	108.2
Finland	(FM)	4.5936	-0.0165	898 - 973	4.6209	4.5890	4.5891	1.2	4.5808	1.1	4.5641	0.6	83.0
France	(FFr)	5.0678	-0.011	670 - 685	5.0863	5.0614	5.0623	1.3	5.0538	1.1	5.0116	1.1	108.9
[illegible]													
[illegible]		-0.0099	620 - 631	1.4717	1.4610	1.4685	-2.5	1.4713	-2.4	1.4959	-2.3	-
[illegible]		-0.025	400 - 400	26.2400	26.1400	-	-	-	-	-	-	-
[illegible]		-	501 - 506	3.7505	3.7500	3.7508	-0.1	3.7515	-0.1	3.7548	-0.1	-
[illegible]		+0.002	077 - 087	1.4088	1.4060	1.4046	3.0	1.3985	2.7	1.3732	2.5	-
[illegible]		-0.0075	275 - 325	3.9350	3.9140	3.9586	-8.8	4.0103	-8.2	4.2335	-7.7	-
[illegible]		-0.2	500 - 600	781.000	780.400	783.55	-4.6	787.05	-3.3	805.55	-3.2	-
[illegible]		-	950 - 000	27.5000	27.4970	27.5195	-0.9	27.5595	-0.9	-	-	-
[illegible]		+0.01	200 - 400	25.2400	25.2160	25.3287	-4.7	25.5325	-4.8	26.415	-4.7	-

...spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the ... rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Mar 11: Base average 1990=100

CROSS RATES AND DERIVATIVES

[illegible]

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Mar	CALLS Apr	CALLS May	PUTS Mar	PUTS Apr	PUTS May
1.500	2.42	2.70	3.14	0.05	0.34	0.85
1.510	1.48	2.01	2.51	0.11	0.62	1.20
1.520	0.69	1.40	1.98	0.22	0.89	1.63
1.530	0.20	0.92	1.48	0.43	1.51	2.16
1.540	0.01	0.56	1.09	0.65	2.15	2.71
1.550	-	0.31	0.78	1.45	2.85	3.39

Previous day's vol., Calls N/A Puts N/A. Prev. day's open int., Calls N/A Puts N/A

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	94.63	94.62	-0.01	94.63	94.60	57,201	284,667
Jun	94.60	94.56	-0.04	94.62	94.55	150,642	394,855
Sep	94.87	94.41	-0.05	94.47	94.38	174,730	332,829

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	95.08	95.10	+0.01	95.11	95.08	634	3,899
Jun	95.05	95.03	-0.02	95.05	95.01	2,615	8,800
Sep	94.87	94.87	-0.02	94.89	94.85	692	2,500

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Mar	CALLS Apr	CALLS May	CALLS Jun	PUTS Mar	PUTS Apr	PUTS May	PUTS Jun
9650	0.16	0.24	0.26	0.29	0	0.02	0.04	0.07
9675	0.02	0.07	0.09	0.13	0.11	0.10	0.12	0.16
9700	0	0.01	0.02	0.05	0.34	0.29	0.30	0.33

Est. vol. total, Calls 13996 Puts 8473. Previous day's open int., Calls 402110 Puts 372209

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9800	0.20	0.24	0.24	0.01	0.13	0.31
9825	0.04	0.11	0.13	0.10	0.25	0.45
9850	0.01	0.05	0.06	0.32	0.44	0.63

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 9230 Puts 4674

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9375	0.12	0.26	0.30	0.01	0.10	0.35
9400	0.01	0.11	0.18	0.15	0.20	0.48
9425	0	0.04	0.11	0.38	0.38	0.66

Est. vol. total, Calls 7275 Puts 3288. Previous day's open int., Calls 161611 Puts 169639

BASE LENDING RATES

	%		%		%
Adam & Company	6.00	Duncan Lawrie	6.00	Royal Bk of Scotland	6.25
Allied Trust Bank	6.00	Exeter Bank Limited	7.25	●Singer & Friedlander	6.00
AIB Bank	6.00	Financial & Gen Bank	7.00	●Smith & Williamson Secs.	6.00
●Henry Ansbacher	6.00	●Robert Fleming & Co	6.00	TSB	6.25
Bank of Baroda	6.00	Girobank	6.00	United Bank of Kuwait	6.00
Banco Bilbao Vizcaya	6.00	●Guinness Mahon	6.25	Unity Trust Bank Plc	6.00
Bank of Cyprus	6.00	Habib Bank AG Zurich	6.00	Western Trust	6.00
Bank of Ireland	6.00	●Hambros Bank	6.00	Whiteaway Laidlaw	6.00
Bank of India	6.00	Heritable & Gen Inv Bk	6.00	Yorkshire Bank	6.00
Bank of Scotland	6.25	●Hill Samuel	6.00		
Barclays Bank	6.00	C. Hoare & Co	6.00		
Brit Bk of Mid East	6.00	Hongkong & Shanghai	6.00		
●Brown Shipley & Co Ltd	6.00	Julian Hodge Bank	6.25		
Citibank NA	6.00	●Leopold Joseph & Sons	6.00		
Clydesdale Bank	6.25	Lloyds Bank	6.00		
The Co-operative Bank	6.00	Meghraj Bank Ltd	6.00		
Coutts & Co	6.00	Midland Bank	6.25		
Credit Lyonnais	6.00	• Mount Credit Corp	6.25		
Cyprus Popular Bank	6.25	NatWestminster	6.25		
		●Rea Brothers	6.00		

● Members of London Investment Banking Association
• In administration

WORLD INTEREST RATES

MONEY RATES

March 12	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.00	3.00	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.00	3.00	-
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.80	-	5.60
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.90	-	5.60
Germany	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.00	3.00	[illegible]
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.00	3.00	3.30
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	6.25
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	6.25
Italy	[illegible]	[illegible]	[illegible]	9½	[illegible]	-	9.00	9.87
week ago	[illegible]	[illegible]	9½	[illegible]	9¼	-	9.00	9.89
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	3.00	3.30
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	3.00	3.30
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.00	1.50	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.00	1.50	-
US	5¼	[illegible]	[illegible]	[illegible]	[illegible]	-	5.00	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	5.00	-
Japan	[illegible]	[illegible]	[illegible]	½	[illegible]	-	0.50	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	5¼	[illegible]	[illegible]	-	-	-
US Dollar CDs	-	5.05	[illegible]	[illegible]	5.42	-	-	-
week ago	-	5.05	4.88	4.89	4.94	-	-	-
ECU Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
SDR Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

[illegible]

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9025	0.07	0.74	1.09	0.05	0.20	0.26
9050	0.01	0.58	0.91	0.24	0.27	0.33
9075	0	0.41	0.74	0.48	0.37	0.41

Est. vol. total, Calls 440 Puts 0. Previous day's open int., Calls 20886 Puts 22082

CONTRACTS & TENDERS

Department of Industries

(Govt. of Bihar)

ROHTAS INDUSTRIES LTD., DALMIANAGAR, BIHAR, INDIA

Pursuant to the directions by the Hon'ble Company Judge, High Court of judicature at Patna in the Rohtas Industries Ltd. the Committee constituted by the Hon'ble Court invites offers from reputed industrialists/entrepreneurs for revival/rehabilitation based on purchase of the industrial undertakings of the Rohtas Industries Ltd. at Dalmianagar in the district of Rohtas, Bihar.

2. The Company has facilities for the manufacture of
   1. Vanaspati (Vegetable oil) 36,000 MT/yr
   2. Cement 3,26,400 MT/yr
   3. Asbestos 36,000 MT/yr
   4. Steel Foundry 3,000 MT/yr
   5. Paper 60,000 MT/yr

Besides these units other utilities include a Central Workshop, Power House and sub-station, Locomotives and Light Railway, Central Stores, Chemical and Vulcanised Fiber units etc.

3. This complex is located at Dalmianagar on Howrah-Delhi Grand Chord Railway line. The Grand Trunk Road (National Highway No. 2) also passes through Dalmianagar.

4. The Committee will be guided, inter alia, by the following considerations while evaluating the offers received from the interested parties :
   i) Proven financial and managerial capability ;
   ii) Acceptability to financial institutions and banks ;
   iii) Willingness and ability to bring in maximum amount from own sources.
   iv) Capability to induct latest technology ;
   v) *Experience in running/rehabilitation of similar large industrial units.*
   vi) Revival Plan

5. The interested parties may contact Shri P.R. Roy, Director, Technical Development, Department of Industries, Govt. of Bihar, Vikas Bhawan, Patna - 800015, Bihar, India. Tel : 0091-612-221462, Fax : 0091-612-224991 for further information regarding the industrial undertakings of Rohtas Industries Ltd., if required.

6. The offer giving full details and supporting documents in relation (i) to (vi) of para 4 in sealed cover should reach the Industrial Development Commissioner & Secretary, Department of Industries, Govt. of Bihar at the following address not later than 5 P.M. on 30th April, 1996 :

Industrial Development Commissioner & Secretary,
Department of Industries,
Govt. of Bihar, Vikas Bhavan
Panta - 800 015, Bihar, India.
Tel : 0091-612-221211, Fax : 0091-612-224991

7. The offers will be considered by the Committee subject to the direction(s) of the Hon'ble Court. The Committee reserves the right to accept or reject any offer without assigning any reasons therefore.

R C A Jain,
Industrial Development Commissioner & Secretary.

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

	Notes	Price	+ or -	52 week high	52 week low	Mkt CapEm	Yld Gr's	P/E
Allied Domecq		506	-1½	568	476½	5,242	5.8	18.3
Bulmer (HP)		568	+4½	568	401	289.9	2.7	17.8
Burn St Dist		118	+1	146	99	78.0	5.3	25.4
Grand Met		425xd	-3½	467	374	8,889	4.4	18.3
Guinness		494	-7½	526	412	9,788	3.9	14.1
Highland		392	+1	406	315	458.9	2.8	16.0
Kirin Y		799½	+20¼	806	621	7,987	0.8	28.0
Macallan-Glen		198	+1	217	157	165.5	1.0	35.0
Macdon Martin A		633	+½	680	600	86.7	2.2	17.8
Matthew Clark		703xd	+3	705	542	620.0	3.9	-
Merrydown		99	+1½	140	69	10.8	2.5	-
Seagram S		223½	-½	225½	216¼	8,837	1.3	-

BANKS, MERCHANT

	Notes	Price	+ or -	52 week high	52 week low	Mkt CapEm	Yld Gr's	P/E
Barings 8pc Cm 2nd Prf		50½xd	—	80½	50½	6.31	19.8	-
Cater Allen		459	—	529	424	149.8	8.2	7.6
Close Bros		336xd	-1½	382	241½	437.1	3.2	15.9
Gerrard & Nat		412	—	472	412	301.5	6.8	13.3
Hambros		229	+7½	229	180	405.1	4.1	-
7¼pc Cv Pf		103xd	+1	107½	94	132.7	8.1	-
For Joseph Leopold see Leopold Joseph								
King & Shaxson		152	+½	165	95	40.1	7.4	11.8
Leopold J		490	—	463	363	23.9	5.2	15.5
Rea Brothers		66	—	67	44	29.0	2.1	24.0
Schroders		1238	+5½	1478	992	1,859	1.4	17.6
N/V		973	+½	1180	888½	428.1	1.8	13.9
Singer & Fried		106	—	113	81	209.2	4.4	11.0

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING - Cont.

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

هكذا من الأجل

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LEISURE & HOTELS - Cont.

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

OTHER FINANCIAL - Cont.

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PHARMACEUTICALS

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

RETAILERS, GENERAL - Cont.

[illegible]

SUPPORT SERVICES

[illegible]

SUPPORT SERVICES - Cont.

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

AIM

[illegible]

AIM - Cont.

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

[illegible]

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Extel, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ⊕ Figures or report awaited
- ♥ Rule 2.1(a)(v) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ☆ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- § Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- ¥ Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v P/e ratios are calculated under new ACT guidelines.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1995.
K Yield based on prospectus or other official estimates for 1996
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1995-96.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Currency Funds Ltd

Jupiter Tyndall (Bermuda) Ltd

Newport Investment Management

Onen Fund Limited

BERMUDA (REGULATED)(**)

Bermuda Intl Invest Mgmt Ltd

Butterfield Management Co Ltd

Orbis Investment Management Ltd

GUERNSEY (SIB RECOGNISED)

AIB Investment Managers (Guernsey) Ltd

Equitable International Fund Managers Ltd

Guinness Flight Fd Mgrs (Guernsey) Ltd

Royal Bank of Canada Intl Money Market Fd

Hambros Fd Mgrs (CI) Ltd

Kleinwort Benson Intl Fd Mgrs Ltd

Lazard Frères Asset Management (CI) Ltd

Lazard Fund Mngrs (Channel Islands) Ltd

Lloyds Intl Money Market Fund Ltd

M & G (Guernsey) Ltd

Prudential Fund Managers (Guernsey) Ltd

Rothschild Asset Management (CI) Ltd

Royal Bk of Canada O/S Fd Mgrs Ltd

Royal Bk of Canada O/S Fd Mgrs Ltd - Contd.

Sarasin Funds Mngmt (Guernsey) Ltd

Schroder Investment Mngmt (Guernsey) Ltd

GUERNSEY (REGULATED)(**)

ANZ Mngmt Co (Guernsey) Ltd

Apollo Investment Management Ltd

Arab Bank Fund Managers (Guernsey) Ltd

BZW Asset Management Guernsey Ltd

Buchanan Global Investment Fund Ltd

CIBC Fund Managers (Guernsey) Ltd

Commercial Union Captives Inv Mngt

Consultor (Channel Islands) Limited

Guernsey Capital Management Limited

Hambros Fund Managers (CI) Ltd

Henderson Fund Managers (Guernsey) Ltd

Hoveliet Throgmorton Mngmt Ltd

IFS (Guernsey) Ltd

Kleinwort Benson Intl Fd Mgrs Ltd

Lazard Fund Managers (CI) Ltd

Lloyds Bank Fund Managers (Guernsey) Ltd

Paragon Asset Management Ltd

Royal Bank of Canada Intl Money Market Fd

Schroder Investment Mngmt (Guernsey) Ltd

UBS Asset Management (Guernsey) Ltd

Yamaichi Capital Mngt (Guernsey) Ltd

IRELAND (SIB RECOGNISED)

AIB Fund Management Ltd

Bank of Cyprus Group

Baring International Fund Managers (Ireland) Ltd

Gartmore Fund Managers Limited

Kleinwort Benson Intl Mgt Services Ltd

The Fiduciary Trust Global Fund

GAM Fund Management Ltd (u)

Guinness Flight Select Funds Plc

Hambros Fund Managers (Ireland) Ltd

Henderson Crosthwaite Investment Co

LGT Asset Management Ltd

Morgan Grenfell Investment Funds Ltd (u)

Prolific International Fund Plc

Scottish Value Management (Ireland) Ltd

Singer & Friedlander Inv Funds Ltd

IRELAND (REGULATED)(**)

AIB Fund Management Ltd

Argenta European Hedge Fund plc

Asia Dynamic Growth Fund Plc

Asian Emerging Markets Fund Plc

Asset Korea Fund

Atlantis Korean Smaller Companies Fund

Bank of Ireland Unit Managers Ltd

Baring International Fd Mgrs (Ireland) Ltd

Baring Mutual (Ireland) Ltd

Berkshire KTC Growth Fund Plc

Bordier Invest (Ireland) Ltd

Capital Vision Fund Plc

Chemical Ireland Fund Administrators Ltd

Citi Investment Fund (Ireland)

Citizens Investment Trust Mngt Company

Daiwa Europe Fund Managers Ireland Ltd

Dragon Korea Fund Plc

Dresdner Kleinwort Benson Intl Mgt Services Ltd

Dynamic Pacific Portfolio Fund Plc

East Asia Hamon Ireland Ltd

Egerton Capital European Fund Plc

Emerging Dynamic Fund Plc

Emerging Market Growth Fund Plc

F.I.T. Investment Trust Ltd (u)

Falcon Market Fund Plc

Frank Russell Investments (Ireland) Ltd

Fresh Korea Fund

Global Resources Stock Fund

Gordon House Asset Management Ltd

Hansol Korea Venture Fund

Korea Balanced Return Fund

Korea Capital Growth Fund

Kleinwort Benson Fund Managers (Ireland) Ltd

Korea Emerging Growth Fund Plc

LGT Asset Management Ltd

Pacific 21st Century Fund

Pacific Growth Fund Plc

Prime Webber Offshore Funds Plc (u)

Tamaichi Samsung Dynamic Korea Fund

Value Express Fund Plc

Yield Korea Fund

ISLE OF MAN (SIB RECOGNISED)

AXA Equity & Law Intl Fund Mgrs

Bank of Ireland Asset Mngmt (IOM) Ltd

CMI Fund Managers (IoM)

Mercury Fund Managers IoM Ltd

Quilter Intl Mngt (IoM) Ltd

Sun Life Management (IoM) Ltd

ISLE OF MAN (REGULATED)(**)

AXA Equity & Law Intl Fund Mgrs

Bank of Ireland Asset Mngmt (IOM) Ltd

Quilter Intl Mngt (IoM) Ltd

JERSEY (SIB RECOGNISED)

AIB Fund Managers (CI) Ltd

Barclays International Funds

Coutts & Co (Jersey) Fund Managers Ltd

Guinness Flight Fd Mgrs (CI) Ltd

Midland Bank Fund Managers (Jersey) Ltd

Newton Fund Mgrs (CI) Ltd

Rothschild Asset Management (CI) Ltd

Royal Bank of Scotland Fd Mgrs (Jersey) Ltd

Save & Prosper International

Standard Bank Fund Mngrs (Jersey) Ltd

TSB Fund Managers (CI) Ltd

JERSEY (REGULATED)(**)

Bank of Scotland Fund Managers (Jersey) Ltd

Barclays Intl Funds

INVESCO International Limited

Jupiter Tyndall (Jersey) Ltd

Lloyds Private Banking (CI) Ltd

Lombard Odier (Jersey) Ltd

Mercury Asset Mngt Channel Islands Ltd

Northgate Unit Tst. Mngr. (Jersey) Ltd

Perpetual UT Mngrs (Jersey) Ltd

The Portugal Fund Limited

Royal Bk of Scotland Fd Mngrs (Jersey) Ltd

Schroder Mngt Services (Jersey) Ltd

TSB Fund Managers (CI) Ltd

Worldinvest (Management) Jersey Ltd

LUXEMBOURG (SIB RECOGNISED)

ABN AMRO Funds (u)

Bank von Ernst & Cie AG

Edinburgh Fund Managers (Luxembourg) SA

Fidelity Funds (u)

Fleming Group (u)

Gartmore International Asset Management Ltd

GT Investment Management SA

Guinness Flight Select Funds SICAV

Mercury Asset Management

Morgan Grenfell Investment Funds

Templeton Global Strategy Funds

LUXEMBOURG (REGULATED)(**)

Alliance Capital

Cox & Kings Overseas Fund

Rothschild Asset Management

S-E-Banken Luxembourg SA

Sarasin Investment SICAV (u)

Scottish Equitable Intl Fund SICAV

Templeton Investment Management Ltd

Egistan Global SICAV (u)

EquiFund-Wright National Eqty Fd (a) (x)

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FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

Credis Investment Funds - Contd.

Nikko Asia Convertible Bond Fund

Nikko Bank (Luxembourg) S.A.

Nomura Asian Infrastructure Fd SICAV

Pacific Basin Growth Fund

CMI Insurance Co Ltd

Royal Life International

Buchanan Capital Management Ltd

CA Securities Investment Fund Mangt Ltd

Global Asset Management - Contd.

OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

MANAGED FUNDS NOTES

LONDON STOCK EXCHANGE

MARKET REPORT

Another bout of Wall St jitters upsets equities

By Steve Thompson,
UK Stock Market Editor

Another big sell-off on Wall Street, where the Dow Jones Industrial Average dropped more than 60 points shortly after the opening, plus the prospect of an intensification of the mortgage price war in the UK, sent London share prices sliding again yesterday.

The FT-SE 100 index moved within a 68-point arc, finishing another extremely volatile session a net 35.0 lower at 3,639.5. There was some respite, however, for the second liners, which again demonstrated their resilience in the face of the big sell-off in the leading stocks. The FT-SE Mid 250 index closed 10.7 firmer at 4,222.7.

Wall Street's latest decline caused extreme nervousness in global markets, coming on the heels of a big recovery in the Dow in the previous session. "It was a real shock and caused some serious rethinks among European fund managers, who had thought that Wall Street and Europe had ridden out the storm," said one trader.

Ninety minutes after London closed the Dow looked set to fall in excess of 100 points, before staging a small rally. The weakness in the Dow was attributed by London dealers to the latest slide in the US Treasury bond market, where the 30-year bond was down 1¼ shortly after London closed. "The bond market, as always, remains the key to Wall Street and Europe," said one market strategist, who attributed the latest spate of selling to increasing uncertainty ahead of a raft of economic news expected tomorrow and on Friday.

This includes producer prices, industrial production details and manufacturing output, all of which are capable of causing a big upset to bonds and therefore to Wall Street.

Strategists said that they expected more volatility across global markets for the rest of the week, especially as the dollar fell below what was previously seen as a strong support level of Dm1.48.

The drama during the afternoon was in stark contrast to the market mood at the opening. Then, the Footsie had opened in a confident mood, regaining the 3,700 level and up 33.1 in the wake of the 110-point rally in the Dow on Monday, which recouped two-thirds of last Friday's 171-point loss. That rally owed much to a one-point improvement in the bond market.

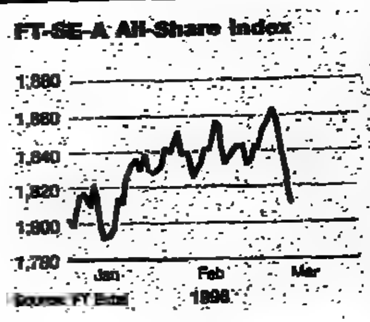
The initial jump in London proved shortlived, however, with marketmakers reacting very quickly to the absence of any substantial client business, and cutting their quotations in an attempt to drum up retail business. Renewed selling of US bonds in the Far East and Europe provided a pointer to equity markets.

No customer support was forthcoming and the UK leaders extended their retreat, gradually falling away, with selling from exasperated marketmakers adding momentum to the slide during the late afternoon.

Turnover was by no means exceptional, reaching 728.1m shares by 6pm and with non-Footsie stocks providing 55 per cent of the total business.

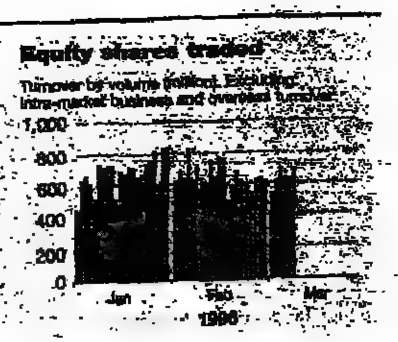
Owing to technical problems the Stock Exchange was unable to provide details of the value of customer business on Friday.

FT-SE-A All-Share Index



Equity shares traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Indices and ratios

FT-SE 100	3639.5	-35.0
FT-SE Mid 250	4222.7	+10.7
FT-SE-A 350	1830.3	-12.7
FT-SE-A All-Share	1810.03	-10.90
FT-SE-A All-Share yield	3.87	(3.85)
FT Ordinary index	2729.9	-17.0
FT-SE-A Non Fins p/e	16.91	(16.96)
FT-SE 100 Fut Mar	3628.0	-46.0
10 yr Gilt yield	8.18	(8.11)
Long gilt/equity yld ratio:	2.20	(2.20)

Best performing sectors

1. Life Assurance .... +3.8
2. Electronic & Elec .... +0.9
3. Leisure & Hotels .... +0.7
4. Building & Cons .... +0.7
5. Engineering, Vehicles .... +0.7

Worst performing sectors

1. Banks, Retail .... -3.9
2. Tobacco .... -2.6
3. Telecommunications .... -1.5
4. Pharmaceuticals .... -1.3
5. Consumer Goods .... -1.1

Falls in bonds hit banks

Leading bank stocks fell sharply on a combination of bond market weakness, the political situation in China and mortgage price war worries.

The nine biggest fallers in the Footsie were all financials and, collectively, they accounted for nearly 30 per cent of the Footsie's decline yesterday.

Firstly, bond prices have been falling and the banks sector has tended to decline relative to the debt market in such circumstances. Secondly, the Chinese military manoeuvres off the coast of Taiwan have made investors nervous about political stability in the Far East and this hit the banks with exposure in the region.

Thirdly, the latest mortgage rate cut – by the Bradford & Bingley Building Society – has increased worries about house lending margins.

"As the biggest sector in the market, the banks are the most liquid way out," commented Mr Martin Hughes of Credit Lyonnais Laing.

Bank of Scotland fell 18 to 241½p, Lloyds TSB 15½ to 297p, Abbey National 21 to 534p, Barclays 26 to 688, HSBC 28 to 977½p in the Ordinaries, Standard Chartered 22 to 564p and National Westminster 28 to 616p. The broking arm of NatWest was telling clients that at current levels the sector is oversold.

But in the merchant banking sector, Hambros rose 7 to 229p as Credit Lyonnais Laing raised its current year profits forecast by almost 30 per cent.

Big BAT trade

Chunky volume in BAT Industries, combined with a sharp fall in the share price, prompted worries about fundamental selling.

But it appeared later that the turnover of 28m shares by the close represented the first half of a so-called "bed and breakfast deal". Traditionally a B&B deal is carried out to improve the investor's tax position although, in this case, trading in two blocks of 9m shares and one of 7m – at 544p a share – was related to the company's foreign income dividend.

Dealers expect similar volume in the stock to be recorded today as the other half of the B&B goes through. BAT shed 14 to 540p.

Pru perks up

Prudential stood head and shoulders above the market yesterday on the announcement that it is trying to get money from its orphan estate.

At the meeting with analysts, the company said it was in talks with the Department of Trade and Industry about releasing value.

The strong inference was that cash would be used to boost acquisitions and, while opinion was divided between whether a mutual or quoted company would be preferred, the consensus was that a building society would be high on the list. In any event the release of funds is seen as bullish for dividend prospects.

On top of that, the full-year figures came in at the high end of analysts' predictions and some forecasts were being moved higher. SGST raised its current year operating profits estimate by £33m to £753m and its 1987 figure by £63m to £824m. The shares jumped 27 to 454p on 17m trade and led the rest of the sector higher.

Talk of broker upgrades, following strong traffic figures for February, pushed airports group BAA up 3 to 514p.

Allowing for the extra day as a result of the leap year, the February traffic flows were some 8 per cent ahead, against market expectations of 6 per cent. City transport teams now have 11 months of BAA's financial year in front of them and there were clear indications yesterday that some brokers were set to upgrade next month once the final returns are available.

A simple straw poll suggested that some analysts may be prepared to add an extra 2 per cent to current profits estimates.

British Aerospace raced up the Footsie rankings following a buy note from Credit Lyonnais Laing.

The shares, which had touched a low point in their recent trading range, jumped 20 to 867p as the broker argued that positive news on cashflow, tax and industry consolidation was yet to be reflected in the rating.

Sentiment was also helped by a news wire interview with rival aircraft maker Fokker suggesting that the Dutch group had begun to write off hopes for a rescue takeover. The same news left aero engines supplier Rolls-Royce 5 cheaper at 202p.

The results from TI Group were broadly in line with broker estimates, but the meeting with analysts was said to be very relaxed and confident. BZW moved up by £6m to £210m for this year, partly on TI's acquisition plans. The shares added 6 at 486p.

GKN continued to move smoothly forward, rising a further 8½ to 910½p. Since last Thursday's upbeat results statement the shares have put on more than a tenth.

Sentiment continued to improve at leading conglomerate Hanson, following news that the group's Canadian forestry disposals were set to bring in £300m more than the £1bn initially expected. The shares put on 3½ at 192p in 12m traded.

Broker profits downgrades after the 1995 results left Williams Holdings 7 lower at 324p.

Kleinwort Benson drew attention to Williams' earnings slowdown, with operating profits on an underlying basis moving from plus 5 per cent to minus 4 per cent between the two halves of last year. The broker cut 1996 forecasts by £3m to £250m.

NatWest Securities circulated an add note on BTR ahead of tomorrow's results statement. The shares softened to 322p.

In the regional electricity sector, Yorkshire stood out with a rise of 25 to 795p although volume was unremarkable.

Cable and Wireless lost a third of Monday's sharp gain, retreating 10 to 467p on profit-taking. The shares were again well dealt in turnover of 9.7m, following press revelations that the recent talks with BT had revolved around the possibility of C&W making a reverse takeover for the telecoms giant. BT ended 7 off at 354½p.

A blunt warning of lower profits this year from builders merchants Wolseley drove the shares down by 20 at one stage in hectic trading. There was a significant two-way pull and at the end of the day the shares were off 10½ at 466½p. At 7.3m, turnover was the heaviest for three years.

BZW cut back its earnings estimates by £15m to £235m for this year. A number of other brokers tweaked next year's forecasts lower too, but the mood was not universally negative. The shares have had a strong run lately, coming up from 375p since October, and there was said to be long-term buyers around yesterday.

Amey continued to advance on the back of the recent rail management acquisition. The shares added 11 at 185p for a three-day gain of more than 50 per cent.

Yorkshire-Tyne Tees TV slipped 2 to 998p despite an impressive rise in the full-year dividend. There was some disappointment with advertising revenue and the company said Granada, which has 24 per cent of the group, was unlikely to make a hostile bid.

Canadian Pizza added 5 at 80p following a buy note from ABN Amro Hoare Govett.

MARKET REPORTERS:
Peter John,
Jeffrey Brown.

FINANCIAL TIMES EQUITY INDICES

	Mar 12	Mar 11	Mar 8	Mar 7	Mar 6	Yr ago	*High	*Low
Ordinary Share	2729.9	2746.9	2760.0	2794.1	2794.9	2336.2	2807.9	2238.3
Ord. div. yield	3.98	3.94	3.91	3.85	3.86	4.63	4.73	3.76
P/E ratio net	16.46	16.56	16.65	16.84	16.84	16.30	21.39	15.35
P/E ratio nil	16.13	16.23	16.32	16.62	16.62	15.95	22.21	15.17

Ordinary Share Index since compilation: high 2807.9 5/03/96; low 49.4 26/6/40. Base Date: 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2762.9	2753.0	2750.2	2745.2	2750.0	2753.2	2742.1	2740.4	2731.5	2766.9	2728.9

	Mar 12	Mar 11	Mar 8	Mar 7	Mar 6	Yr ago
SEAQ bargains	35,620	40,381	37,914	35,177	35,021	27,947
Equity turnover (£m)†	-	n/a	1998.2	2093.6	1697.0	1403.6
Equity bargains†	-	n/a	41,780	41,261	36,596	37,672
Shares traded (m)†	-	n/a	700.5	696.1	629.7	686.8

†Excluding intra-market business and overseas turnover.

	Mar 12	Mar 11	Mar 8	Mar 7	Mar 6	Yr ago	*High	*Low
FT-SE AIM	960.39	965.68	978.04	985.01	990.25	-	1054.88	965.68

*For 1995/96.

London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	1,313	Total Highs	74	Total contracts	39,367
Total Falls	446	Total Lows	42	Calls	15,868
Same	1,024			Puts	23,499

Mar 12 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	3690.0	3628.0	-48.0	3696.0	3610.0	24611	27446
Jun	3690.0	3626.0	-48.0	3699.0	3609.5	15402	39962
Sep	-	3642.0	-48.0	-	-	0	2380

FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	4230.0	4229.0	+24.0	4230.0	4229.0	94	2665
Jun	4245.0	4248.0	+24.5	4248.0	4245.0	84	1706

FT-SE 100 INDEX OPTION (LIFFE) (*3628) £10 per full index point

[illegible]																

Calls 4,563 Puts 4,862

EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

[illegible]																

Calls 4,851 Puts 7,412 * Underlying index value. Premiums shown are based on settlement prices.
† Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. Cap (£m.)	1995/96 High	Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
-	F.P.	51.8	527	496	BZW Eq (Bonds)	[illegible]					
-	F.P.	1.55	2	2	†Capital & Wstm	[illegible]					
7.5	F.P.	14.7	8½	5¾	Clubhaus	[illegible]					
-	F.P.	0.07	8½	3¾	Clubhaus Wts	[illegible]					
12	F.P.	56.0	16½	14	†Freepages	[illegible]					
-	F.P.	33.3	143	108	†OC Intl	[illegible]					
100	F.P.	22.2	90	25	Life Offices FP	[illegible]					
-	F.P.	83.3	43	42	M & G Equity Inc	[illegible]					
-	F.P.	91.3	24½	20½	M & G Equity Cap	[illegible]					
-	F.P.	5.12	92	88	M & G Equity Div	[illegible]					
-	F.P.	18.8	71	68	†Optical Care (S)	[illegible]					
-	F.P.	193.6	400	347	Schroder UK G Uts	[illegible]					
175	F.P.	121.8	229	197	Shire Pharms	[illegible]					
120	F.P.	34.2	125	123	Stadium Group	[illegible]					
180	F.P.	109.7	188	175	Streamline	[illegible]					
185	F.P.	103.8	231	218	Visual Action	[illegible]					

† Alternative Investment Market. For a full explanation of all other symbols please refer to The London Share Service notes.

FT GOLD MINES INDEX

	Mar 11	% chg on day	Mar 8	Year ago	Gross div yield %	P/E ratio	52 week High	Low
Gold Mines Index (33)	2239.23	-0.2	2243.87	1815.23	1.48	-	2820.73	1722.93
Regional Indices								
Africa (16)	3001.71	-0.1	3012.04	2748.12	2.80	35.82	3583.86	2272.74
Australasia (5)	2586.30	-4.1	2676.91	2018.07	[illegible]	38.86	2927.34	1986.82
North America (12)	1971.90	+0.4	1963.74	1513.96	0.86	59.50	2186.39	1498.94

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FT - SE Actuaries Share Indices — The UK Series

	Mar 12	Day's chge%	Mar 11	Mar 8	Mar 7	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3639.5	-1.0	3674.5	3710.3	3758.2	3050.6	4.06	2.09	14.72	26.82	1465.36
FT-SE Mid 250	4222.7	+0.3	4212.0	4252.7	4280.0	3332.5	3.50	1.72	20.66	38.45	1678.61
FT-SE Mid 250 ex Inv Trusts	4254.0	+0.3	4242.9	4277.7	4302.9	3398.5	3.62	1.77	19.48	40.99	1693.44
FT-SE-A 350	1830.3	-0.7	1843.0	1860.9	1882.3	1514.3	3.94	2.02	15.71	14.19	1508.06
FT-SE-A 350 Higher Yield	1804.4	-0.9	1820.8	1839.5	1862.5	1534.4	4.92	1.87	13.60	14.15	1223.63
FT-SE-A 350 Lower Yield	1862.5	-0.5	1871.5	1888.6	1908.5	1493.6	2.92	2.29	18.71	14.28	1281.93
FT-SE SmallCap	2054.09	+0.5	2044.23	2069.51	2076.11	1681.04	3.09	1.80	22.53	7.86	1667.05
FT-SE SmallCap ex Inv Trusts	2041.97	+0.5	2032.01	2053.85	2058.67	1659.93	3.26	1.89	20.22	7.53	1665.95
FT-SE-A ALL-SHARE	1810.03	-0.6	1820.93	1839.04	1858.98	1496.02	3.87	2.01	18.09	13.48	1514.89

FT-SE Actuaries All-Share

	Mar 12	Day's chge%	Mar 11	Mar 8	Mar 7	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(24)	3227.09	....	3227.75	3260.69	3297.72	2644.12	4.01	1.51	20.65	22.56	1367.43
12 Extractive Industries(6)	4196.08	+0.5	4173.37	4194.53	4180.25	3505.89	3.79	2.39	13.82	85.48	1227.87
15 Oil, Integrated(3)	3249.96	-0.1	3254.18	3292.08	3340.90	2647.17	4.25	1.36	21.73	16.24	1408.90
18 Oil Exploration & Prod(15)	2239.31	-0.1	2240.99	2254.85	2269.08	1878.47	2.19	1.41	40.51	0.00	1329.18
20 GEN INDUSTRIALS(275)	2057.75	+0.2	2053.98	2063.92	2081.22	1797.54	4.06	1.87	16.49	8.01	1109.23
21 Building & Construction(34)	1127.83	+0.7	1120.20	1128.72	1124.81	900.54	3.59	2.02	17.23	1.60	930.58
22 Building Matls & Merchs(29)	1892.76	-0.9	1909.00	1910.54	1930.65	1670.99	3.96	2.00	15.80	0.81	899.66
23 Chemicals(23)	2541.07	+0.4	2530.79	2534.01	2575.25	2153.12	3.94	1.99	15.92	23.98	1194.61
24 Diversified Industrials(21)	1775.54	....	1775.88	1772.87	1788.58	1800.46	5.66	1.48	15.14	12.91	977.85
25 Electronic & Elect Equip(36)	2261.10	+0.9	2280.38	2290.13	2327.66	1892.16	3.19	1.83	21.43	2.78	1171.70
26 Engineering(70)	2315.93	+0.4	2307.72	2328.28	2340.21	1740.92	3.26	2.98	16.02	7.88	1590.94
27 Engineering, Vehicles(13)	2763.78	+0.7	2745.18	2738.58	2726.29	2123.84	3.81	1.66	19.75	0.28	1409.27
28 Paper, Pckg & Printing(26)	2690.15	+0.1	2686.45	2726.52	2731.86	2699.32	3.73	2.04	16.43	0.81	1103.67
29 Textiles & Apparel(19)	1482.53	-0.3	1487.56	1501.53	1506.11	1406.73	4.71	1.72	15.40	7.42	893.60
30 CONSUMER GOODS(91)	3501.86	-1.1	3542.57	3570.70	3602.69	2888.55	4.01	1.85	16.81	12.24	1274.95
32 Alcoholic Beverages(8)	2756.16	-1.0	2783.07	2772.12	2818.35	2556.23	4.41	1.67	16.98	28.48	985.08
33 Food Producers(25)	2523.83	-0.3	2532.41	2534.95	2567.93	2347.96	4.33	1.71	16.84	4.90	1121.44
34 Household Goods(15)	2450.42	-0.5	2462.34	2496.42	2530.09	2431.29	3.90	2.15	14.93	3.66	921.35
36 Health Care(20)	1920.93	-0.1	1922.11	1952.60	1989.07	1509.74	2.72	1.82	25.35	5.11	1159.35
37 Pharmaceuticals(13)	4918.06	-1.3	4984.99	5061.23	5065.44	3870.50	3.42	1.94	18.87	12.95	1646.70
38 Tobacco(1)	4570.04	-2.6	4692.87	4718.28	4815.70	3684.28	5.56	2.03	11.05	0.00	1105.63
40 SERVICES(225)	2338.50	....	2338.43	2356.19	2380.35	1847.08	2.97	2.11	19.91	14.60	1205.99
41 Distributors(32)	2829.65	+0.3	2820.61	2844.86	2885.78	2271.02	3.73	1.84	18.20	7.46	959.78
42 Leisure & Hotels(23)	2940.49	+0.7	2919.25	2927.00	2957.34	2070.57	2.83	2.15	20.50	108.39	1565.92
43 Media(46)	3854.60	+0.3	3843.89	3879.65	3920.51	2706.73	2.19	2.13	26.75	15.54	1385.14
44 Retailers, Food(15)	1883.65	-0.5	1892.53	1912.28	1934.57	1609.33	3.88	2.40	13.40	2.91	1181.26
45 Retailers, General(43)	1939.90	-0.2	1943.86	1954.58	1968.37	1521.87	3.06	2.23	18.32	5.73	1098.84
47 Breweries, Pubs & Rest.(24)	2956.24	-1.4	2998.85	2995.11	3015.62	2112.79	3.34	2.08	17.97	15.93	1409.73
48 Support Services(49)	2079.72	+0.3	2073.00	2101.49	2122.68	1456.21	2.33	2.53	21.21	3.65	1311.06
49 Transport(21)	2356.12	-0.2	2361.98	2365.74	2394.12	2115.01	3.67	1.41	24.13	6.84	970.44
60 UTILITIES(33)	2434.27	-0.9	2457.57	2452.76	2477.57	2217.96	5.09	2.06	11.89	35.13	1032.98
62 Electricity(12)	2695.82	-0.2	2701.92	2724.61	2748.23	2135.57	5.15	2.60	9.34	137.11	1320.08
64 Gas Distribution(2)	1549.65	-0.6	1558.84	1565.48	1597.85	1902.39	7.73	1.37	11.82	0.00	777.58
66 Telecommunications(7)	2005.31	-1.5	2035.19	2015.45	2033.32	1929.03	4.21	1.78	16.91	0.15	907.73
68 Water(12)	2142.90	-1.0	2163.65	2160.08	2179.25	1705.05	5.70	2.59	8.46	3.61	1162.07
69 NON-FINANCIALS(688)	1933.51	-0.3	1940.05	1951.88	1970.48	1618.46	3.88	1.81	16.91	12.25	1451.28
70 FINANCIALS(106)	2747.13	-2.0	2802.87	2875.69	2922.91	2139.75	4.27	2.51	11.67	37.20	1174.94
71 Banks, Retail(8)	3758.96	-3.9	3910.70	4029.19	4112.97	2810.61	4.12	2.83	10.73	70.15	1225.81
72 Banks, Merchant(6)	3465.30	+0.4	3450.85	3529.87	3535.13	2926.83	2.70	2.39	19.31	4.52	1067.73
73 Insurance(24)	1350.52	-1.0	1365.76	1401.09	1432.55	1195.11	5.79	3.08	7.03	21.77	1005.05
74 Life Assurance(6)	3565.13	+3.8	3433.13	3523.86	3584.46	2445.62	4.06	1.48	20.78	0.00	1452.44
77 Other Financial(23)	2504.51	....	2505.17	2545.09	2546.53	1848.84	3.64	1.91	17.99	19.61	1415.15
79 Property(41)	1430.87	-0.2	1434.09	1442.91	1447.41	1367.12	4.37	1.30	22.04	4.11	870.21
80 INVESTMENT TRUSTS(126)	3053.21	+0.2	3047.47	3113.12	3145.51	2562.45	2.22	1.08	52.98	11.33	1080.44
89 FT-SE-A ALL-SHARE(900)	1810.03	-0.6	1820.93	1839.04	1858.98	1496.02	3.87	2.01	18.09	13.48	1514.89
FT-SE-A Fledgling	1147.61	+0.3	1143.84	1159.88	1162.94	949.50	2.98	2.17	19.39	4.77	1190.54
FT-SE-A Fledgling ex Inv Trusts	1151.97	+0.3	1148.31	1163.05	1165.40	947.65	3.24	2.33	16.52	4.98	1194.39

Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3707.6	3692.4	3678.5	3670.6	3668.1	3672.8	3656.6	3653.7	3638.7	3707.6	3637.9
FT-SE Mid 250	4231.4	4233.0	4230.0	4230.8	4231.2	4233.0	4230.8	4230.4	4222.6	4234.2	4222.2
FT-SE-A 350	1856.0	1852.0	1846.3	1843.3	1842.3	1844.3	1837.8	1836.6	1830.0	1856.0	1829.5

Time of FT-SE 100 Day's high: 8:30 AM Day's low: 3:55 PM. FT-SE 100 1996 High: 3781.3 (02/02/96) Low: 2954.2 (23/01/95).

FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	1133.2	1135.1	1131.4	1131.5	1132.2	1132.9	1133.5	1133.5	1135.7	1135.7	1127.8	7.9
Pharmaceuticals	4977.0	4952.3	4935.5	4916.8	4917.1	4921.4	4892.2	4891.6	4865.2	4863.7	4931.0	-67.3
Water	2184.5	2162.5	2160.3	2151.7	2151.5	2150.1	2147.2	2145.8	2135.0	2135.3	2156.5	-21.2
Banks, Retail	3985.4	3957.8	3936.1	3902.9	3875.3	3892.8	3847.7	3837.2	3808.0	3808.0	3960.6	-152.6

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues.

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TRADING VOLUME

Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
[illegible]			

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FT-SE 100 index constituent. All trades are rounded. Source: FT Extel

WORLD STOCK MARKETS

EUROPE

PACIFIC

AFRICA

NORTH AMERICA

INDICES

US INDICES

Dow Jones	Mar 11	Mar 8	Mar 7	1995/96 High	1995/96 Low	Since compilation High	Since compilation Low
Industrials	5581.00	5470.45	5641.69	5642.42 (5/3/96)	3832.08 (30/1/95)	5642.42 (5/3/96)	41.22 (2/7/32)
Home Bonds	103.93	104.25	104.65	108.09 (14/2/96)	93.63 (3/1/95)	108.77 (18/10/93)	54.99 (1/10/81)
Transport	2026.25	2037.72	2082.49	2111.37 (22/2/96)	1473.19 (3/1/95)	2111.37 (22/2/96)	12.32 (8/7/32)
Utilities	215.59	216.25	222.12	234.88 (12/2/96)	183.03 (3/1/95)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 5605.20 (5612.79) Low 5425.29 (5395.30) (Theoretical)
Day's high 5583.17 (5636.84) Low 5444.80 (5434.57) (Actual)

Standard and Poors	Mar 11	Mar 8	Mar 7	1995/96 High	1995/96 Low	Since compilation High	Since compilation Low
Composite‡	640.02	633.50	653.65	661.45 (12/2/96)	459.11 (3/1/95)	661.45 (12/2/96)	4.40 (1/6/32)
Industrials	750.19	748.15	770.25	776.23 (22/2/96)	546.28 (3/1/95)	776.23 (22/2/96)	3.62 (21/6/32)
Financial	64.29	64.68	67.68	68.56 (5/3/96)	41.64 (3/1/95)	68.56 (5/3/96)	8.64 (1/10/74)
NYSE Comp.	342.75	339.74	350.14	351.70 (12/2/96)	250.73 (3/1/95)	351.70 (12/2/96)	4.46 (25/4/42)
Amex Mkt Val	561.38	558.16	570.31	570.31 (7/3/96)	433.12 (6/1/95)	570.31 (7/3/96)	29.31 (9/12/72)
NASDAQ Cmp	1080.50	1063.73	1083.12	1117.79 (23/2/96)	743.58 (3/1/95)	1117.79 (23/2/96)	54.87 (31/10/72)

■ RATIOS

	Mar 8	Mar 1	Feb 23	Year ago
Dow Jones Ind. Div. Yield	2.18	2.15	2.12	2.70
	Mar 6	Feb 28	Feb 21	Year ago
S & P Ind. Div. yield	1.87	1.89	1.88	2.38
S & P Ind. P/E ratio	21.05	20.89	19.90	17.32

■ NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Close price	Change on day
Fed Nat Mtg	6,886,600	30⅝	—
Micron	6,680,700	30¼	+⅜
Telefonos	6,617,300	29⅛	+⅜
Kmart	6,849,100	8	+⅛
Bay Network	4,436,100	35½	+⅜
Merck	4,139,800	65	+⅛
IBM	3,935,500	117¼	+3½
Gen Electic	3,918,500	76½	+1¾
Hanson	3,730,300	14⅝	+⅛
Intl Paper	3,706,600	38¼	−⅛

■ TRADING ACTIVITY

● Volume (million)	Mar 11	Mar 8	Mar 7
New York SE	449.459	551.380	428.664
Amex	17.670	26.947	23.255
NASDAQ	471.076	598.123	527.931
NYSE			
Issues Traded	3,123	3,134	3,109
Rises	1,573	168	1,155
Falls	885	2,668	1,149
Unchanged	664	301	805
New Highs	49	34	125
New Lows	40	58	24

■ S&P 500	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	636.50	628.10	−10.75	637.40	626.85	27,029	86,824
Jun	642.50	634.30	−10.65	643.60	632.95	111,391	137,248

■ Nikkei 225	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	19840.0	19930.0	+170.0	20030.0	19890.0	30,924	231,349
Sep	20030.0	20050.0	+200.0	20050.0	20000.0	551	9,370

Open interest figures for previous day.

● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation.

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are based on data from Jan 1 1995. ‡ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

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■ TOKYO - MOST ACTIVE STOCKS: Tuesday, March 12, 1996

	Stocks Traded	Closing Prices	Change on day
Nippon Steel	12.1m	340	+5
Shinko Elect	11.6m	954	+69
Sumitomo Mtl Ind	8.7m	298	−1
Pacific Metals	8.3m	735	+23
NKK Corp	8.1m	294	+5
Fujitsu	4.5m	968	+1
Kawasaki Steel	4.1m	356	+5
Keisei El Rlwy	3.7m	1,020	+20
Chugokukogyo	3.4m	835	+89
Oki Elect Ind	3.3m	849	+9

4 pm close March 12

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1995/96 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
22¼	12⅛	AAR	0.48	2.4	24	215	20⅝	20	20¼	-⅛
46¼	35	AMP	1.00	2.4	21	3276	42½	41¾	42⅜	+⅜
90⅝	53⅞	AMR			36	11717	u90⅝	87¼	90⅝	+2⅜
50½	36⅞	ASA	2.00	4.5	29	886	44⅞	44⅛	44⅞	-⅛
44¾	30¾	AbbtxL	0.96	2.3	19	7411	42⅜	41½	42⅜	+⅛
18⅞	12	Abitibi Pr x	0.40	2.9	7	305	13⅞	13¾	13⅞	+⅛
30⅝	21	ABM Ind	0.70	2.3	16	87	30	29⅞	30	+⅛
17½	13⅛	Aaplocain			10	184	14⅜	14⅛	14⅜	+⅛
50⅜	21⅞	ACE Ltd	0.56	1.3	10	325	45	44⅛	44½	-½
9⅞	8⅛	ACM Gvt In x	0.80	8.5	8	582	9⅝	9½	9½	
7⅞	6½	ACM GvOpp x	0.66	9.1		121	7⅜	7¼	7¼	-⅛
7½	5¾	ACM Gvt Sp x	0.75	10.9		252	6⅞	6¾	6⅞	
9⅛	7¼	ACM Gvt Se x	0.90	10.6		284	8⅝	8½	8½	
9½	7⅝	ACM Man x	0.90	9.7		390	9¼	9⅛	9¼	
31¼	10¼	AcmeCv	0.52	1.7	7	1034	30½	30⅛	30½	
38¾	6⅛	Acme Elect			53	149	6⅜	6¼	6⅜	+¼
34½	23¾	Acordia	0.72	2.5	15	148	28¾	27¾	28¾	+1
16¾	10⅛	Acuson			45	409	14⅞	14½	14⅞	
19⅝	15⅝	Adams Expr	0.36	1.9	0	51	19	18⅞	19	-⅛
38⅞	16⅛	AdvMic			6	4624	17⅝	17⅛	17¼	-⅜
10¾	5	Advest Grp	0.16	1.7	9	86	9⅝	9⅜	9⅝	+⅛
27½	11⅞	Advo Inc	0.10	0.8	12	1497	12⅛	d11⅞	12	
46¾	24.80	Aegon	1.28	3.0	16	243	42⅝	42¼	42⅝	
5⅞	3⅞	Aeriflx			8	94	4⅝	4½	4½	
78¾	46¼	AetnaL	2.76	3.7	36	5728	75⅝	74	75¼	+⅛
49½	31⅞	Aflac	0.52	1.1	13	744	47⅜	46⅜	46¾	-½
28⅛	16	Ahmnsn	0.88	3.7	7	4914	24⅛	23⅞	23¾	-⅜
59½	43⅞	AirPrC	1.04	1.9	16	2871	55¼	53⅝	54⅝	-⅜
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4 pm close March 12

NYSE COMPOSITE PRICES

1995/96 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chg'e Prev. Close
Continued from previous page										
38⅝	30½	SFePPipe	3.00	7.9	18	29	37¾	37⅝	37¾	-⅛
35½	24¼	SaraLee x	0.76	2.3	19	6490	33⅝	33⅛	33½	-¼
60¼	39⅝	SBC Cm	1.65	3.2	16	13534	52⅞	49¾	51⅛	-1½
28⅝	20½	Scana Corp	1.47	5.7	15	928	25⅞	25⅝	25⅝	-⅛
11¼	5⅞	SchawkA	0.28	2.9	30	40	8⅞	8⅞	8⅞	+⅛
50¼	37¼	SchererRP			22	1371	44	42⅞	43⅛	-1⅛
62	35½	SchrPl	1.16	1.9	24	10404	60	59	59¾	+¼
76	50⅛	Schlmb	1.50	2.0	27	6046	74¾	73⅞	74½	
28	11¼	Schwab(C)	0.16	0.6	26	2467	25⅜	24⅝	24⅝	-½
28⅞	20⅞	SchwMaud				593	27⅞	26¾	26¾	-1
24⅞	11⅜	SciAtl x	0.06	0.4	36	1715	16¾	16⅛	16½	-¼
20	15⅛	Scotsmn	0.10	0.6	10	24	17¼	17⅛	17⅛	-¼
43½	28⅞	Scripps	0.52	1.2	25	271	42⅝	42⅜	42⅝	+⅛
21½	13⅝	ScuddrNAsF	0.02	0.1		459	16⅛	15⅞	16⅛	+¼
11⅞	8⅝	ScuddrNEuF	0.16	1.4		167	11⅝	11½	11½	
20	13⅜	SeaCnB	0.70	4.3	1	16	16¼	16¼	16¼	
16¼	14⅝	SeaC1.4625	1.46	9.5		4	15½	15⅜	15⅜	
67⅞	23⅝	S'gate				1013738	58	55¼	57⅛	-1⅛
39½	25⅝	Seagrm	0.60	1.8	29	6631	33¾	32⅞	33¾	
22½	15¼	Seagull En			987	633	19¾	19¼	19¾	+⅛
32⅝	18	Sealed Air			23	509	29⅝	28⅝	29½	
50	30⅜	SearsR x	0.92	1.9	13	12563	49⅜	47⅝	49¼	+¼
22¼	19⅜	SecCapStl	1.24	5.8	25	226	21⅝	21½	21½	
13	10⅜	Seligm Sel	0.84	6.7		221	12⅝	12½	12⅝	
39¼	13⅝	Sensormat	0.22	1.0	82	3134	23½	22⅞	23	-⅜
35⅝	21⅞	SequaA	0.60	1.7	60	29	35⅜	34¼	34¾	-⅝
41⅝	23	SequaB	0.50	1.2	71	5	41	41	41	-½
48	28¼	ServCp	0.48	1.0	26	2980	47⅛	46½	47	
33½	21½	SvMstr	0.96	3.1	14	762	31¾	30¾	31	-¾
7⅞	4⅛	ServMerch			11	1280	5¾	5½	5¾	+⅛
57½	22½	SGSThm			8	1972	34⅞	34½	34½	
17¾	10⅝	Shaw Ind	0.30	2.7	23	4231	11⅛	10¾	11	+¼
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Price data supplied by Telekurs

Yearly highs and lows for NYSE reflect the period from Jan 1 1995. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial. a-annual rate; [illegible]

FT Free Annual Reports Service [illegible]

AMEX COMPOSITE PRICES

4 pm close March 12

Stock	Div.	P/ E	Sls 100s	High	Low	Close	Chng
[illegible]							

4 pm close March 12

NASDAQ NATIONAL MARKET

Stock	Div.	P/ E	Sls 100s	High	Low	Last	Chng
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AMERICA

Equities slide as bond yields climb again

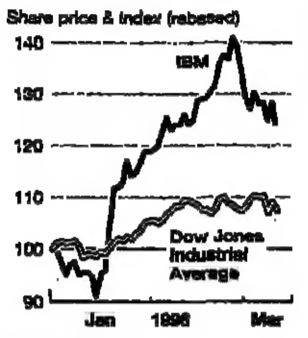
Wall Street

US equities tumbled in early afternoon trading as bonds proved unable to hold on to the gains made late on Monday, *writes Lisa Bransten in New York.*

At 12:44 pm, trading in futures on the Standard & Poor's 500 was halted for half an hour when the June contract slid 12 points. That helped to stem the decline on the cash market, which was about 11 points lower when the restriction – known as the "sidecar rule" – was imposed.

Still, US shares gave up nearly all of the ground that they regained on Monday as US financial markets recovered from the sharp sell-off on Friday, which was sparked by a surprisingly strong figure on job growth.

IBM



Source: FT Extel

By 1 pm the S&P 500 was 10.09 lower at 629.93 and the Dow Jones Industrial Average 83.82 off at 5,497.18. The American Stock Exchange composite dropped 4.76 to 556.62. New York SE volume was 251m shares.

The benchmark 30-year Treasury was a full point down, with the yield at 6.710 per cent, in the wake of a new sign that the US economy was strengthening. CNW Marketing said that new car sales rose by 15.2 per cent in the first 10 days of March.

Technology shares were also lower, with the Nasdaq composite, which is weighted towards the sector, off 10.72 at 1,069.78 and the Pacific Stock Exchange technology index 1.6 per cent down.

Large-capitalisation technology companies on both the Nasdaq and the NYSE led the sector lower.

IBM – which had jumped 40 per cent since it reported stronger than expected 1995 results in January – slid $3½ to $113¾ after Mr John Jones, an analyst at Salomon Brothers, downgraded his rating on the company. Mr Jones said that although company fundamentals remained strong, he thought the company had reached an earnings peak.

On the Nasdaq, Microsoft fell $1¾ to $94¾, Intel dropped 1\frac{1}{16}$ to 54\frac{1}{16}$ and Oracle slipped $2¼ to $47¾.

Several companies with ties to the Internet or the online service sector managed to buck the declining market. America Online added $5⅛ or 11 per cent at $53½ on news that it had formed yet another alliance – this time with Microsoft – to allow its users easier access to the Internet.

Great Atlantic & Pacific Tea Company forged ahead $3⅛ or 14 per cent to $26½ after reporting stronger than expected fourth-quarter operating earnings late on Monday.

Canada

Toronto was weak at midsession, again taking its lead from US bonds and Wall Street, and the TSE 300 composite index shed 14.93 by noon to 4,916.70 in volume of 38.6m shares.

Hemlo Gold Mines rose C$1⅝ to C$19 on news that Battle Mountain Gold, of the US, was to take over the group in a $1.5bn stock deal which valued Hemlo at C$21.03 a share.

Guyanor Resources continued its winning ways, rising C$¼ to C$13 on positive results from its French Guiana diamond property.

Diamond Fields Resources, holder of the rich Voisey's Bay base metals deposit and target of a C$4bn bid by Falconbridge, receded C$1½ to C$35⅝.

Brazil declines 1%

São Paulo was marked 1 per cent lower in midday trade in spite of an improved outlook for the government's social security reform plan. The Bovespa index was 487.87 weaker at 47,230 as Wall Street continued to provide the lead.

BUENOS AIRES was weak, tracking Wall Street, and by midsession the Merval index had fallen 5.07 to 494.79.

Analysts noted that the market was awaiting the release of US inflation data on Friday as a good indication of whether US interest rates will be cut further.

They added that the prospect of higher US rates was keeping many investors away from emerging markets.

MEXICO CITY softened slightly, with the IPC index 7.87 off in lunchtime trade at 2,770.08 as the market awaited a rise in benchmark interest rates on 28-day Treasury bills, or *Cetes*, in the central bank auction later in the day.

S Africa awaits budget news

Johannesburg's industrials sector ended the day firmer on a turnround in sentiment following the overnight surge on Wall Street, while gold shares rose on generally better sentiment and a slightly improved bullion price.

Analysts noted, however, that institutional investors remained in the wings ahead of today's budget announcement which was widely expected to include a reduction, or the abolition, of the Marketable Securities Tax. Friday's futures expiry further depressed activity.

The overall index was up 106.6 to 6,661.4, industrials climbed 90.7 to 8,273.1 and golds rose 43.8 to 1,759.5.

De Beers made R4.75 to R125.25, Anglos gained R9 at R249, Sasol climbed R1.20 to R38 and First National notched up R1 at R32.50.

Freegold advanced R1.75 to R37.25 and Dries was also R1.75 higher, at R58.75.

EUROPE

Mixed reception for BASF and Bayer dividends

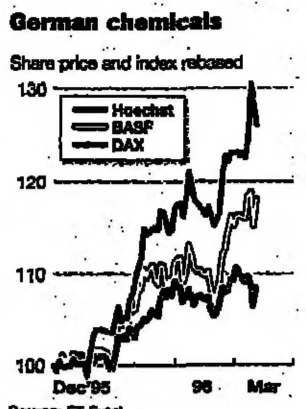
Continued volatility in US financial markets took most Continental bourses into early recovery, and dropped them into a mild depression by the end of trading.

FRANKFURT ushered in the "Big Three" chemicals dividend season, moving the constituent stocks both ways as the Dax index fell 4.43 to an Ibis-indicated 2,415.29 after a high for the day of 2,448.30.

Bayer and BASF led the turnover charts, accounting for around DM1bn each within a German total of DM10bn. But Bayer's 20 per cent rise in profits and 15 per cent dividend increase left the shares DM8.10 lower at DM462.40, while BASF, with virtually doubled profits and a 40 per cent dividend gain, climbed DM7.30 to DM377.50. Hoechst, the third of the trio and the recent front-runner in share price terms, fell DM6.75 to DM472.50 ahead of today's figures.

The automotive sector was similarly mixed. MAN dropped a further DM12.80 to DM402.20 after underperforming the market over the last 12 months. James Capel downgraded the stock to "hold" recently, saying that the outlook had been tempered by the weakening order pattern which had emerged early this year, the group's falling European truck market share and the apparent peaking in demand for printing machinery at lower levels than in the early 1990s.

German chemicals



Source: FT Extel

PARIS, too, offered a mixed automotive sector, where Michelin rose FFr4 to FFr239 on broker buy recommendations, but Renault dropped FFr4 to FFr142 after it confirmed plans to invest between FFr3.8bn and FFr5bn in a new Brazilian plant.

The CAC-40 index closed 16.82 lower at 1,932.07, after 1,961.43. The swing on the day hit Lafarge, the building materials group, unchanged at FFr337.20 after an early FFr342.80 on good results.

In the defence sector, Dassault was down FFr2 at FFr488 after reaching FFr509 in an attempt to renew an exceptionally strong share price run this year. A Defence Ministry report looked for an 18 per cent cut in annual arms spending in 1997; Thomson CSF fell FFr5.30 to FFr115.10.

Other sensitive areas were more rewarding. Navigation Mixte jumped FFr40 to FFr819 as the Paribas offer to buy out the group at FFr800 a share opened, and Consortium de Realisation (CDR), the French state holding company in charge of selling assets formerly held by Crédit Lyonnais, opposed the offer; and the drugs group Sanofi rose FFr4.30 to FFr368 on a commercial alliance with Rotta Research, of Italy.

ZURICH drew strength from a continuation of the merger speculation sparked by last week's news from Ciba and Sandoz, but shares finished off their best levels after Wall Street's weak opening.

The SMI index turned back from a day's best of 3,560.2 to close 34.3 ahead at 3,540.5.

Ciba rebounded SFr30 to SFr1,390 and Sandoz picked up SFr35 to SFr1335 after the profit-taking of the previous two sessions. Mr Mark Tracey at Goldman Sachs, which added both shares to its European priority list, viewed the creation of Novartis as "the most visionary example of consolidation in the healthcare industry thus far". He believed the proposed merger of two companies, strong in their own right, offered outstanding shareholder value.

FT-SE Actuaries Share Indices

Mar 12						THE EUROPEAN SERIES		
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1576.47	1576.44	1576.50	1577.48	1576.30	1573.18	1574.54	1572.84
FT-SE Eurotrack 200	1651.40	1651.81	1650.10	1652.16	1651.87	1646.87	1645.62	1643.53

	Mar 11	Mar 8	Mar 7	Mar 6	Mar 5
FT-SE Eurotrack 100	1562.57	1587.72	1607.55	1596.63	1589.41
FT-SE Eurotrack 200	1642.34	1662.90	1684.53	1669.60	1670.45

Base value 1000 (26/10/90); High/day: 100 - 1578.44; 200 - 1652.72 Low/day: 100 - 1572.80 200 - 1643.53. † Partial.

Financials in the spotlight on speculation about future mergers included SBC, up SFr5 to SFr461 ahead of today's release of 1995 results, Zurich Insurance, which rose SFr12 to SFr352, and Winterthur Insurance, SFr15 ahead at SFr787.

Surveillance moved forward SFr95 to SFr2,395 after its 1995 results proved in line with expectations.

MILAN was mixed to weaker, with activity driven largely by portfolio adjustments ahead of Friday's options expiry and equity futures rollover of the March contract.

The Comit index picked up 3.16 to 590.80, while the real-time Mibtel index finished 21 easier at 9,412.

Fiat, up L113 to L5,146, and Pirelli, L16 higher at L2,218, outperformed. Traders noted that Pirelli released good preliminary results for its tyre division last week, but said that there was no news on Fiat to explain the rise.

Olivetti remained under pressure, losing L20.7 to L797.3, but up from a new low of L795, on the view that the price war in personal computers would make it increasingly difficult for the company to reach break even this year.

AMSTERDAM's rally wilted towards the close but the AEX index still ended 2.48 higher at 510.17 after 513.40. It saw its real share price action on the periphery, where Fokker dropped 70 cents or 40 per cent to Fl 1.05 after its chairman said that hopes for a rescue deal were fading; and Gucci climbed Fl 4 or 5.6 per cent to Fl 76 on a leap in 1995 profits and news of a new global stock offering.

A bounce in forestries lifted Ence, in MADRID, by Pta85 or 5.4 per cent to Pta1,660 as the general index eased 0.28 to 327.66. In STOCKHOLM and HELSINKI, the sector outpaced the broader market indices with gains of 3.8 per cent and 1.7 per cent respectively. Stockholm also saw a SKr6.50 rise to SKr152.50 in Volvo, on foreign interest.

ISTANBUL finished 2 per cent lower, with the composite index, 1,267.64 down at 61,383.99, having already discounted the Conservative coalition's success in a parliamentary confidence vote.

Analysts said that the government's shaky parliamentary base posed doubts about whether it could tackle urgent structural reforms.

TEL AVIV took its lead from the higher overnight Dow, and the Mishtanim index firmed 2.58 to 204.94.

Israel Discount Bank, the country's third largest bank in which the government sold a 14 per cent stake last week, rose 1.8 per cent to Shk3,224 as it made its market debut.

Written and edited by William Cochrane and Michael Morgan

ASIA PACIFIC

Overseas demand spurs Nikkei as region rebounds

Tokyo

Wall Street's overnight rebound cheered investors and the Nikkei average recovered 0.8 per cent from Monday's low for the year, spurred by demand from overseas investors, *writes Emiko Terazono in Tokyo.*

The 225 index rose 153.98 to 19,950.27 after moving between 19,854.30 and 20,008.07, with foreign demand concentrated on steels and car shares. However, buying continued to be restrained by the failure of the ruling and opposition parties to come to an agreement over the stalled budget bill vote.

Volume totalled 340m shares, against 333.2m. The Topix index of all first section stocks moved ahead 10.27 to 1,535.75 and the Nikkei 300 closed 2.19 up at 286.67. Advances outscored declines by 646 to 386, with 168 issues unchanged.

In London the ISE/Nikkei 50 index put on 0.92 at 1,339.11.

Steels attracted demand from overseas investors, encouraged by recent forecasts from leading companies of a profits recovery in 1996-97. Nippon Steel, the most active issue of the day, firmed Y5 to Y340 on buying by Goldman Sachs and Merrill Lynch, while NKK gained Y5 at Y284 on purchases by UBS.

Individual investors bought high-technology stocks, which had been out of favour due to the sector's recent weakness on Wall Street. Most institutional investors, however, remained on the sidelines ahead of the release of the February US book-to-bill ratio, which measures the supply and demand balance for semiconductors in the US market.

Toshiba advanced Y14 to Y770 and Fujitsu rose Y1 to Y968. Semiconductor related stocks, which had been sold heavily over the previous few days, rebounded, Kyocera improving Y20 to Y6,810 and Tokyo Electron Y30 to Y3,540.

Hopes of a recovery in capital spending boosted machinery issues. Ikegai rose Y14 to Y463 and Okuma Y10 to Y1,110.

Speculative stocks rallied. Dynic, a maker of bookbinding cloths, rose Y100 to Y976 and Shinko Electric Y69 to Y954.

Oil shares eased on fears of lower earnings following the deregulation of the gasoline retail market. Nippon Oil declined Y12 to Y614 and Mitsubishi Oil Y3 to Y878.

In Osaka, the OSE average picked up 65.90 to 21,165.13 in volume of 210m shares.

Roundup

Wall Street's overnight rally provided the cue for renewed buying in regional markets, although many investors remained cautious, fearing further volatility in the US.

JAKARTA recovered nearly all of Monday's losses before the composite index eased back to close 16.32, or still 3 per cent, higher at 560.86 after touching 565.37.

However, brokers said fundamentals had not changed, and that today was unlikely to be so ebullient.

SYDNEY's All Ordinaries index rallied 41.1 to 2,228.5. Among major miners, WMC rose 18 cents to A$8.46, helped by its limited loss on Monday; but the diamond miner Ashton showed no sparkle, ending flat at A$1.90 after a disappointing, 47 per cent drop in net profits for 1995.

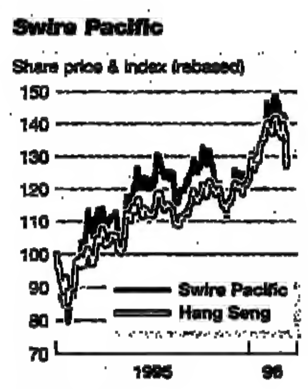
TAIPEI was still more worried about Chinese war games than relieved by events across the American continent. The weighted index fell below recent support at 4,700, ending 19.03 lower at 4,692.40 in thin turnover of T$22.2bn.

HONG KONG recouped 2 per cent after Monday's 7.3 per cent plunge, although shares came off early highs.

The Hang Seng index was up 205.00 at 10,602.45 after reaching 10,737.07. Turnover shrank to HK$6.2bn from Monday's HK$9.6bn, with investors also remaining cautious because of China's continuing military exercises off Taiwan.

Most major blue chips managed to erase part of Monday's heavy losses. HSBC climbed HK$1.50 to HK$117, Cheung Kong HK$2.05 to HK$51.75 and its Hutchison associate 70 cents to HK$46.80.

Swire Pacific



Source: FT Extel

Swire Pacific, expected on Friday to announce a 19 per cent rise in 1995 net profits, thanks to its airline and property interests, appreciated HK$1.75 to HK$64.50. Cathay Pacific lost 30 cents to HK$13.35 in spite of higher than expected 1995 earnings.

SEOUL remained on the downward path as selling pressure mounted in the continued absence of government steps to boost the market. The composite index finished 3.84 softer at 842.42 in volume that improved to 25.2m shares.

Trading hours were extended by 10 minutes because of computer malfunction caused by heavy trading in Korea Housing Bank's new shares. They gained Won300 at Won20,300 in volume of 6.3m shares.

SINGAPORE bounced back but the mood remained cautious. The Straits Times Industrial index advanced 37.58 to 2,353.92 in weak turnover of 109m shares.

The biggest gain was seen in Fraser & Neave, the drinks company, which jumped 60 cents to S$15.70. Cerebos, the food group, was also strong, up 30 cents at S$12.60.

KUALA LUMPUR picked up 1.6 per cent, or half of Monday's loss, with most of the day's demand concentrated on second line stocks. After reaching a session's high of 1,104.97, the composite index ended 16.95 up at 1,099.94.

SHANGHAI's hard currency B shares edged ahead in a technical rebound, although analysts said that continuing uncertainty kept most investors away. The index moved up 0.126 to 50.336.

Analysts noted that domestic Chinese investors had been sellers of Shanghai B shares on worries about China-Taiwan tension, although foreign investors were largely holding their positions. SHENZHEN's B index rose 0.04 to 61.53.

BOMBAY lacked direction, inhibited by political uncertainties ahead of the general election, due before June, and with financial year-end considerations dampening enthusiasm. The BSE-30 index inched forward 8.25 points to 3,299.90.

Heavy position-squaring pushed Reliance up by Rs14.95 or 6.8 per cent to Rs234 on the National Stock Exchange, with more than 28m shares traded in the last half-hour.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FT-SE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FT-SE International and Goldman Sachs in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS	MONDAY MARCH 11 1996								FRIDAY MARCH 8 1996					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (81)	192.39	-3.4	187.14	128.11	148.26	166.50	-3.4	4.11	199.13	193.43	133.20	153.59	172.39	202.74	158.79	161.45
Austria (26)	180.64	-1.6	175.71	120.29	139.21	139.05	-1.7	1.65	183.67	178.41	122.86	141.66	141.51	199.28	168.11	187.36
Belgium (34)	210.35	-0.9	204.61	140.07	162.10	158.09	-1.0	3.42	212.21	206.14	141.96	163.68	159.67	215.81	172.97	172.97
Brazil (28)	148.74	0.8	144.68	99.04	114.62	289.32	0.9	1.80	147.48	143.26	98.65	113.75	287.01	170.25	104.99	105.59
Canada (101)	154.81	0.8	150.59	103.08	119.30	153.24	0.8	2.45	153.61	149.22	102.76	118.48	152.03	158.71	128.36	128.36
Denmark (33)	291.72	-1.3	283.76	194.26	224.81	227.27	-1.4	1.68	295.54	287.09	197.70	227.95	230.44	305.17	252.41	256.42
Finland (24)	180.88	0.5	175.94	120.45	139.39	175.00	0.4	2.61	180.06	174.91	120.45	138.88	174.31	278.11	171.13	179.56
France (98)	184.46	-1.2	179.43	122.83	142.15	146.96	-1.3	3.12	186.75	181.40	124.92	144.04	148.83	191.17	161.53	162.74
Germany (60)	167.23	-2.2	162.67	111.36	128.87	128.87	-2.3	1.90	171.06	166.17	114.43	131.94	131.94	173.79	142.25	147.84
Hong Kong (59)	406.49	-7.4	395.40	270.68	313.25	403.54	-7.4	3.55	438.78	426.22	293.51	338.43	435.61	451.19	323.87	325.32
Ireland (16)	256.09	-2.1	249.11	170.53	197.35	230.19	-2.1	3.48	261.59	254.11	174.99	201.77	235.02	265.00	205.44	205.55
Italy (59)	73.76	-1.2	71.75	49.12	56.85	86.12	-1.2	1.75	74.69	72.55	49.96	57.61	87.14	82.71	65.45	70.08
Japan (482)	145.87	-0.7	141.89	97.13	112.41	97.13	-1.2	0.79	146.92	142.71	98.28	113.32	98.28	164.82	137.75	145.47
Malaysia (107)	525.26	-3.1	510.94	349.77	404.78	514.30	-3.1	1.65	542.07	526.56	362.61	418.10	530.69	561.96	425.77	465.34
Mexico (18)	1058.15	1.1	1029.28	704.62	815.44	8823.86	1.5	1.58	1046.55	1016.61	700.07	807.21	8690.56	1237.14	661.51	748.60
Netherland (19)	274.35	-1.3	266.86	182.69	211.42	207.79	-1.4	3.32	278.02	270.06	185.97	214.43	210.78	293.23	227.76	227.76
New Zealand (13)	78.71	-1.0	77.53	53.08	61.43	62.32	-1.5	4.78	80.52	78.21	53.86	62.10	63.29	85.49	72.39	72.64
Norway (33)	235.31	-0.6	228.89	156.69	181.34	205.91	-0.6	2.48	236.61	229.84	158.28	182.50	207.13	243.79	203.53	203.53
Singapore (44)	416.91	-4.3	405.54	277.62	321.28	270.17	-4.4	1.48	435.56	423.09	291.36	335.95	282.71	465.21	346.10	349.57
South Africa (45)	375.42	-2.8	365.18	249.99	289.31	323.09	-2.5	3.21	386.09	375.03	258.26	297.79	331.42	437.76	326.97	326.97
Spain (37)	165.18	-1.3	160.67	109.99	127.29	156.02	-1.4	3.88	167.41	162.62	111.99	129.12	158.31	175.86	124.10	124.89
Sweden (47)	325.59	-0.3	316.71	216.81	250.91	329.37	0.1	2.37	326.45	317.11	218.37	251.79	328.98	342.56	232.23	236.81
Switzerland (39)	238.86	-1.3	232.35	159.06	184.07	177.91	-1.4	1.57	241.96	235.04	161.86	186.63	180.53	243.63	171.94	171.94
Thailand (46)	173.23	-3.6	168.51	115.36	133.50	169.57	-3.6	1.98	179.78	174.63	120.26	138.66	175.97	193.95	130.75	134.21
United Kingdom (205)	226.74	-1.1	220.56	150.99	174.73	220.56	-0.9	4.24	229.23	222.67	153.34	176.80	222.67	235.50	193.41	193.41
USA (631)	261.49	0.9	254.36	174.13	201.51	261.49	0.9	2.21	259.05	251.64	173.29	199.81	259.05	269.11	200.26	200.26
Americas (778)	238.37	0.9	231.87	158.73	183.70	200.38	0.6	2.21	236.16	229.40	157.98	182.15	198.52	245.54	182.87	182.87
Europe (730)	201.74	-1.3	196.24	134.34	155.47	175.38	-1.2	3.10	204.34	198.49	136.69	157.61	177.60	206.93	169.63	169.63
Nordic (137)	282.52	-0.4	274.81	188.13	217.72	247.53	-0.2	2.29	283.61	275.50	189.72	218.75	247.99	298.02	222.22	226.46
Pacific Basin (832)	158.47	-1.5	154.15	105.52	122.12	108.45	-1.9	1.24	160.96	156.35	107.67	124.15	110.56	171.87	148.86	153.21
Euro-Pacific (1562)	176.40	-1.4	171.59	117.47	135.94	133.75	-1.6	2.13	178.93	173.81	119.69	138.01	135.92	183.39	158.92	159.95
North America (732)	254.89	0.9	247.94	169.73	196.43	254.24	0.9	2.22	252.53	245.31	168.93	194.78	251.68	262.26	195.81	195.81
Europe Ex. UK (525)	183.36	-1.4	178.36	122.10	141.30	149.60	-1.4	2.48	185.91	180.59	124.36	143.39	151.75	188.09	152.92	152.94
Pacific Ex. Japan (350)	275.14	-4.8	267.64	183.22	212.03	240.03	-4.9	3.10	289.16	280.89	193.43	223.03	252.38	293.58	229.72	229.72
World Ex. US (1754)	177.71	-1.4	172.86	118.34	136.95	137.87	-1.5	2.15	180.16	174.99	120.51	138.95	140.00	184.71	159.65	160.20
World Ex. UK (2180)	201.38	-0.3	195.90	134.11	155.20	168.77	-0.4	1.97	202.01	196.23	135.13	155.81	169.49	207.84	170.18	170.18
World Ex. Japan (1903)	235.39	-0.3	228.97	156.75	181.40	222.21	-0.3	2.58	236.06	229.30	157.90	182.07	222.81	242.17	188.16	188.16
The World Index (2385)	203.66	-0.4	198.10	135.62	156.94	173.45	-0.5	2.18	204.43	198.58	136.75	157.68	174.28	209.73	172.24	172.24

PLEASE NOTE: Amendments to indices 29/2/96 applied to Finland and related regional indices. CONSTITUENT CHANGES WITH EFFECT 13/3/96: Deletions: Maculan Holding (Ord. & Pref.) (Austria). Latest prices were unavailable for this edition.